

Basil Read Holdings Limited
(Incorporated in the Republic of South Africa)
Registration Number 1984/007758/06
Share Code: BSR ISIN: ZAE000029781
("Basil Read" or "the Company")

ANNOUNCEMENT REGARDING THE DISPOSAL OF THE GROUP'S 28% INTEREST IN MAJWE MINING JOINT VENTURE (PTY) LIMITED

1 INTRODUCTION

Shareholders are advised that Basil Read Mining Botswana (Pty) Limited ("BRMB"), a wholly owned subsidiary of Basil Read Mining (Pty) Limited which is a wholly owned subsidiary of Basil Read Limited (in Business Rescue) ("BRL") and which in turn is a wholly owned subsidiary of the Company, has entered into an agreement with Thiess Botswana (Pty) Limited ("Thiess") and Bothakga Burrow Botswana (Pty) Limited ("BBB") (collectively the "Purchasers") to sell BRMB's 28% interest in the Majwe Mining Joint Venture (Pty) Limited to the Purchasers (the "Disposal").

2 BACKGROUND TO MAJWE MINING

BRMB entered into a joint venture in 2011, with Leighton Botswana (Pty) Limited ("Leighton") and BBB to bid for, and if successful, carry out the surface mining works project at Jwaneng Mine known as Cut 8 Contract Mining Project ("Cut 8"), for Debswana Diamond Company (Pty) Ltd ("DDC"). BRMB and BBB contributed regional and local experience, expertise and a sound relationship with DDC to the joint venture, having operated together in Botswana since 2005. Leighton brought large scale mining experience and systems used in Australia, since this was the first project of this magnitude in Botswana.

On being awarded the contract in May 2011, the joint venture was incorporated under the name Majwe Mining Joint Venture (Pty) Limited ("Majwe JV"), registered in the Republic of Botswana. The shares in the company were held by Leighton as to 60%, BRMB as to 28% and BBB as to 12%. As a result of corporate restructuring by Leighton's shareholder, Leighton changed its name to Thiess in 2014. Cut 8 was for a 66 month period ending in November 2016. This period was extended through the addition of Cut 8.3, which ended on 23 November 2018.

3 BACKGROUND AND RATIONALE FOR THE DISPOSAL

In 2017 DDC issued an expression of interest for the mining works project for the next stage of the Jwaneng Mine development known as Cut 9 Contract Mining Project ("Cut 9 Project"). Majwe JV responded to this and was subsequently invited to submit a tender bid in February 2018. The negotiations are still ongoing and at an advanced stage. The Cut 9 Project is expected to commence in the 2019 calendar year.

BRMB is a stand-alone entity with its own employees, plant and equipment, and a healthy balance sheet. BRMB's participation in the Cut 9 Project would mean that BRMB continues being restricted from competing in Botswana as an independent entity, and thus limit its ability to unlock capital by growing and expanding its current business in Botswana. Participation in the Cut 9 Project also requires the provision of both parent company and on-demand financial guarantees, further adding onerous obligations on BRMB. A call made on the guarantees would offset any returns from the project.

Moreover, the shareholders of Majwe JV have been engaged in negotiations to increase the local citizen economic empowerment levels from the current 12% held by BBB up to 30% as per the tender requirement for the Cut 9 Project. This will result in BRMB's shareholding being diluted significantly.

Thus, the Basil Read group is of the view that the Majwe JV shareholding is a non-core asset. In our view, the required capital outlay can be used far more beneficially by funding the required plant and equipment replacements to pursue other opportunities for our mining business both in Botswana and elsewhere.

Thiess and BBB have proposed to acquire the entire BRMB stake in Majwe JV, through the Disposal.

The Business Rescue Plan of BRL the realisation of non-core assets of the group and resolutions of claims. As per the latest update of the Business Rescue Plan the realization of assets and claims have been significantly delayed. The Disposal would be the first of such transactions and the proceeds thereof are anticipated to be utilised as working capital for the mining business and excess funds will be provided to BRL as Post Commencement Fund to assist the Business Rescue process ("PCF").

4 KEY TERMS OF THE TRANSACTION

4.1 Sale and purchase

BRMB will sell 28 ordinary shares constituting 28% of the issued shares of Majwe for an amount of BWP 85 000 000 (approximately ZAR110 500 000) of which Thiess will purchase 10 ordinary shares constituting 10% of the issued shares of Majwe JV and BBB will purchase 18 ordinary shares constituting 18% of the issued shares of Majwe JV.

4.2 The purchase consideration

The total purchase consideration is BWP 85 000 000 (approximately ZAR110 500 000) and will be settled in cash by the Purchasers, as follows:

- The combined First Tranche payments of BWP50 000 000 (approximately ZAR65 000 000) are payable by the Purchasers on the Effective Date of the Disposal as set out in 5 below;
- The combined Second Tranche payments of BWP35 000 000 (approximately ZAR45 500 000) are payable by the Purchasers on the Completion Date of the Disposal as set out in 5 below;

The Purchase consideration is based on an independent valuation performed by PwC Inc, dated 6 November 2018.

4.3 Transfer of Shares

Against receipt of the payments set out in 4.1 above, BRMB (the last payment to be received on the Completion Date) will transfer the Sale Shares and relevant share transfer documents to the Purchasers.

4.4 Payment Breach

If either of the Purchaser breaches its respective payment obligations and BRMB elects to cancel the relevant sale of shares with the relevant defaulting Purchaser, BRMB shall offer the relevant Sale Shares which were to be sold to the Defaulting Purchaser to the non-defaulting Purchaser on the same terms and the offer shall be open for acceptance by the non-defaulting Purchaser for a period of 10 business days.

4.5 Application of the proceeds

The proceeds from the Disposal will be first applied in the working capital of the mining business and then towards the repayment of the PCF in order to improve the outcome of the Business Rescue Plan. As at the date of this announcement the split between working capital and repayment of PCF has not been determined.

4.6 Suspensive Conditions

The conclusion of the Disposal was subject to the fulfilment or waiver of certain suspensive conditions, which include:

- The Purchasers entering into a Memorandum of Understanding;
- The funders of PCF having consented in writing to the participation by BRMB in the Disposal and having released the Sale Shares from any security or from the operation of any negative undertakings imposed in relation to the Sale Shares;
- BRMB obtaining the necessary board and shareholder approval required to participate in the Disposal;

All regulatory requirements to implement the terms of the Disposal having been obtained, including without limitation, approval from the JSE Limited

4.7 The longstop date for fulfilment of the Conditions Precedent is on or before 1 June 2019. ("CP Fulfilment Date").

The transaction agreement contains legal warranties and indemnities which are considered normal in respect of a transaction of this nature.

5 EFFECTIVE DATE

The effective date is 5 business days after the CP Fulfilment Date. The Completion Date is the later of 31 January 2019 or of the 5th business day after the effective date.

6 PROFIT AND NET ASSET VALUE ATTRIBUTABLE TO MAJWE JV

According to the latest audited financial statements of Majwe JV, for the 12 months ended 31 December 2017, the total unadjusted net profit after tax was BWP100 020 451 (or approximately ZAR130 026 586), with 28% or BWP28 005 726 (or approximately ZAR36 407 444) attributable to BRMB. The total net asset of Majwe JV as at 31 December 2017 was BWP87,430,971 (or approximately ZAR113 660 262) with 28% or BWP24 480 672 (or approximately ZAR31 824 874) attributable to BRMB. The audited financial statements of Majwe JV were prepared in accordance with IFRS.

7 DIRECTORS CONFIRMATION

The Board of Directors of the Company confirms the following in terms of Schedule 11.5(a) of the JSE Listings Requirements:

- Basil Read and its subsidiaries (the "**Group**") are in severe financial difficulty, which is evidenced by the fact that the operating subsidiary, Basil Read Limited was placed in business rescue on Friday, 15 June 2018;
- the decision to apply for voluntary business rescue proceedings in Basil Read Limited was taken in the best interest of the Group as a whole. The sale of non-core assets is set out as part of the business rescue plan of Basil Read Limited (the "**Business Rescue Plan**"), as approved by the creditors of Basil Read Limited, and is accordingly required in order to implement the Business Rescue Plan successfully and improve the financial position of the Group;
- all alternative methods of financing Basil Read Limited have been exhausted and post commencement funding ("**PCF**") in Basil read limited was secured subject to a successful business rescue process including, specifically, the sale on non-core assets, as it is contemplated that the PCF will be repaid from, *inter alia*, these proceeds; and
- the Purchasers in respect of the Disposal are not related parties of Basil Read or the other members of the Group.

The Company's sponsor is of the opinion, based on the information available to it, that as evidenced by the business rescue proceedings, the Company is in severe financial difficulty and that the Disposal and further disposals of non-core assets is key to the implementation of the Business Rescue Plan,

The Disposal of Majwe JV is not to a related party of the listed entity and the Takeover Regulation Panel has not been consulted, as the Disposal does not constitute all or the greater part of the Basil Read group assets or undertaking, in terms of section 112 of the Companies Act.

8 WORKING CAPITAL STATEMENT

The Board of Directors are of the opinion that the BSR Group does not have sufficient working capital available to meet its present requirements for at least the next 12 months. The auditors of the group articulated this in their emphasis of matter opinion with respect to the 2017 audited financial statements. Furthermore, the placing of a major subsidiary, Basil Read Limited, in business rescue further evidence that the Group requires further working capital to meet its requirement. The business rescue plan seeks to achieve sufficient working capital for the group through the PCF, disposal of the non-core assets, resolution of claims and completion of loss making construction contracts. The Disposal is critical building block to the improvement of the working capital of the Group.

9. CATEGORISATION AND SCHEDULE 11 DISPENSATION

The transaction is categorised as a category one transaction in terms of the JSE Listings Requirements, due to the current circumstances of the Company. The Company has applied for and the JSE has granted the Company dispensation from the requirements of Category one transactions, pursuant to Schedule 11 of the JSE Listings Requirements.

Boksburg
08 February 2019

Sponsor
Grindrod Bank Limited