

MIDDLE EAST DIAMOND RESOURCES LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2001/006539/06)
(Share Code: MED ISIN Code: ZAE000211876)
("MEDR" or "the company")

Proposed acquisition of Akyanga gold deposit and cautionary announcement

1. Introduction

Shareholders are advised that MEDR entered into a Heads of Agreement on 6 November 2020 with Chun Can Capital Group or its Nominee, a company incorporated in The State of Nevada USA ("Purchaser") which holds 100% of Casa Mining Limited ("Casa") to acquire all the issued shares of and claims in Casa with effect from the date that all conditions precedent below have been met ("the Transaction").

2. Rationale

MEDR has widened the search for suitable assets to acquire from a narrow focus in South Africa to include the rest of Africa and in particular has focussed on the acquisition of gold and copper assets in Africa.

The Akyanga gold deposit is located 250km south of Bukavu, the provincial capital of the South Kivu Province in the Democratic Republic of Congo and represents a sizeable gold asset where the company can add value. The deposit has a JORC Inferred Resource of 44.3 million tonnes with a grade of 2.16 g/t resulting in an Inferred Resource of 3 million ounces. The current information will be converted into a SAMREC category by Chan Cun prior to the acquisition. Additional exploration drilling will be required to increase the classification of the deposit.

The acquisition of Casa represents the first acquisition in the strategy of developing MEDR into a gold exploration and mining company.

3. Salient terms of the Transaction

Casa owns 73.48% interest in a 3 million ounce inferred Akyanga gold deposit in the Democratic Republic of Congo. The details of Transaction are *inter alia*:

- 3.1 The Purchaser will subscribe for \$500 000 worth of shares in MEDR at R1 per share;
- 3.2 The acquisition by MEDR of all the issued shares of and claims against Casa for \$15 million settled by way of issuing 85 000 000 MEDR shares at R1 per share to Arc Minerals Limited ("Arc Minerals") as settlement of the loan note between the Purchaser and Arc Minerals and the issue of 170 000 000 shares to the Purchaser at R1 per share ("Reverse Listing");
- 3.3 MEDR will do a capitalisation issue of R1 per share post the rights offer but before the Reverse Listing, of 85 000 000 shares to MEDR shareholders, assuming the rights offer is fully subscribed for, in the ratio of 247 shares for every 100 shares held after the rights issue; and
- 3.4 Change of name from MEDR to a suitable name agreed by all parties.

4. Conditions precedent

Transaction is subject to *inter alia* the following conditions precedent:

- 4.1 MEDR obtains irrevocable voting undertakings from MEDR shareholders in respect of 65% of MEDR shares;
- 4.2 Approval by shareholders of MEDR of the Transaction;
- 4.3 Approval of the Competent Person's Report by the JSE Readers Panel as may be required;
- 4.4 Approval of the waiver of mandatory offer by MEDR shareholders. After the issue of MEDR of the shares in paragraph 3 above, the Purchaser will hold 45.4% of MEDR's share capital, which will trigger a mandatory offer to minorities per section 123 of the Companies Act, 2008. A waiver of such mandatory offer will be sort by shareholders of MEDR, holding more than 50% of the general voting rights;
- 4.5 Approval of the Reverse Listing by MEDR shareholders;
- 4.6 Casa obtaining any third party approvals in order to implement the Reverse Listing;
- 4.7 Obtaining the necessary regulatory approvals including TRP, JSE and the Financial Surveillance Department of the South African Reserve Bank; and
- 4.8 MEDR concluding a due diligence to its satisfaction on Casa and the Akyanga gold deposit.

5. Categorisation of Transaction

The Transaction is more than 100% of the market capitalisation of MEDR and therefore is a Reverse Listing which requires shareholders' approval. A circular convening a general meeting and providing further information on the Transaction will be sent to the Company's shareholders in due course.

6. Financial information and cautionary announcement

The financial information relating to the Transaction will be available in due course. Accordingly Shareholders are advised to exercising caution when dealing in the company's shares until the financial information is released.

9 November 2020
Sandton

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