
Bauba Resources Limited
Incorporated in the Republic of South Africa
(Registration number 1986/004649/06)
Share code: BAU ISIN: ZAE000145686
("Bauba" or "the Company")

ACQUISITION OF THATSWANA CO. AND CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

The board of directors of Bauba ("**the Board**") is pleased to inform shareholders that on 19 July 2019 ("**Signature Date**"), Bauba entered into a Sale of Shares and Claims Agreement ("**Agreement**") with Ms D C Butler (the "**Seller**") to acquire her shares in Nuco Chrome Bophuthatswana Proprietary Limited ("**Thatswana Co.**").

In terms of the Agreement, the Seller will sell to Bauba, which will purchase from the Seller, the "**Sale Equity**", as detailed hereafter, as one indivisible transaction, for the aggregate purchase consideration of R60 million ("**Purchase Consideration**") (the "**Acquisition**").

The "**Sale Equity**" comprises: the "**Initial Sale Equity**" and the "**Subsequent Sale Equity**".

The "**Initial Sale Equity**" comprises:

- the "**Initial Shares**", being 22 shares in Thatswana Co., constituting 22% of the entire issued share capital thereof; and
- the "**Initial Claims**", being 30% in aggregate of all and any claims on loan account against Thatswana Co. by the Seller and/or any Seller Related Person, as detailed in the Agreement, as at the date of receipt by Thatswana Co. or the Seller ("**Grant Date**") of the written consent of the Minister of Mineral Resources and Energy ("**Minister**") to the change of controlling interest in Thatswana Co. ("**Ministerial Consent**") granted in terms of Section 11 of the Mineral and Petroleum Resources Development Act, No 28 of 2002, as amended from time to time ("**MPRD**"), comprising not less than R6 285 000.

The "**Subsequent Sale Equity**" comprises:

- the "**Subsequent Shares**", being 52 shares in Thatswana Co., constituting 52% of the entire issued share capital thereof; and
- the "**Subsequent Claims**", being all of the remaining claims on loan account (if any) which the Seller and/or any Seller Related Person has against Thatswana Co. as at the 3rd business day after the date on which the last of the conditions precedent referred to in paragraph 2.3 below ("**Initial Conditions**") has been fulfilled ("**Fulfilment Date**"), comprising claims in aggregate totalling R14 665 000.

2. THE ACQUISITION

2.1 Nature of the Thatswana Co.

Thatswana Co. is an exploration company with mineral rights for various minerals in South Africa.

2.2 The rationale for the Acquisition

The acquisition of the shares in Thatswana Co. is in line with Bauba's strategy of growing into a diversified mining company.

2.3 Initial Conditions

The Acquisition is subject to the fulfilment of the following Initial Conditions by no later than the relevant date specified in the Agreement (or such later date as may be agreed in writing between Bauba and the Seller:

- 2.3.1 the escrow agreement to be concluded between the Seller, Bauba and the escrow agent (“Escrow Agreement”) has been executed by all the parties thereto; and
- 2.3.2 the escrow agent has confirmed in writing to the Seller that Bauba has deposited the sum of R10 million into the escrow account;
- 2.3.3 Bauba has delivered to the Seller and its attorneys (“**Attorneys**”) a certified true copy of a resolution by its Board in terms of which its Board:
 - 2.3.3.1 approves, subject to the outcome of a due diligence investigation to be undertaken by or on behalf of Bauba in respect of the business and assets of Thatswana Co. (“**Due Diligence Investigation**”), the Acquisition; and
 - 2.3.3.2 ratifies the execution of the Agreement and the Escrow Agreement by the person/s signing same on its behalf;
- 2.3.4 the minority shareholders in Thatswana Co., shall have waived in writing in favour of Bauba all and any of their respective pre-emptive rights;
- 2.3.5 Bauba shall have delivered to the Seller a written notice confirming that it is satisfied, in its sole and unfettered discretion, with the outcome of the Due Diligence Investigation and it wishes to proceed with the Acquisition.

2.4 Purchase and Payment of Initial Sale Equity

Subject to the fulfilment of the Initial Conditions set out in paragraph 2.3 above, Bauba will purchase the Initial Sale Equity, with effect from the “**Closing Date**”, being the 3rd business day after the Fulfilment Date, on the terms and subject to the conditions of the Agreement.

The purchase consideration, which will be satisfied from available cash resources, payable by Bauba to the Seller for the Initial Sale Equity is the sum of R10 million (“**Initial Consideration**”), to be allocated:

- 2.4.1 firstly, to the face value of the Initial Claims; and
- 2.4.2 the balance, to the Initial Shares.

The Initial Consideration shall be paid by the escrow agent on behalf of Bauba to the Seller on the Closing Date by electronic transfer of immediately available funds (without deduction, set-off or withholding of any kind) subject to the terms of the Agreement.

2.5 Purchase of Subsequent Sale Equity

Bauba shall be entitled at any time after the Closing Date unilaterally to extend the “**Cut-Off Date**”, being a period of 18 months after the Closing Date, by a period of up to six months, against written notice to that effect to the Seller (“**Extension Notice**”), together with proof of payment into the Escrow Account of the full amount of the Final Consideration.

- 2.5.1 Subject to:
 - 2.5.5.1 the Closing Date having occurred and the acquisition by the Purchaser of the Initial Sale Equity having been completed and implemented in accordance with the provisions of the Agreement;
 - 2.5.5.2 the Ministerial Consent having been granted by no later than the Cut-Off Date;
 - 2.5.5.3 Bauba having delivered to the Seller a written notice stating that it is satisfied that (i) no notices from the Department of Mineral Resources and Energy (“**DMR**”) to suspend or cancel any of the Mineral Rights, as

detailed in the Agreement, and/or notices from any other government department (including the DMR) requesting Thatswana Co. to address or rectify any issues identified by such department in connection with or relating to the Mineral Rights have been received by Thatswana Co. provided that where any such notice provides for a time period within which any issue is to be addressed and/or rectified, or affords Thatswana Co. the opportunity of addressing any issue and/or rectifying any issue, and Thatswana Co. has within the stipulated time period satisfactorily addressed the issue, and/or satisfactorily attended to the rectification of the issue, this notice will not be deemed to constitute a breach of the satisfactory fulfilment of the Subsequent Conditions and (ii) all of Thatswana Co.'s Mineral Rights are validly in existence and in good standing in terms of all applicable laws;

(hereinafter, the “**Subsequent Conditions**”), the Seller will sell to Bauba, which will purchase from the Seller, the Subsequent Sale Equity, on and with effect from the Grant Date, on the terms and conditions of the Agreement.

The purchase consideration which will be satisfied from available cash resources, payable by Bauba to the Seller for the Subsequent Sale Equity is the aggregate sum of R50 million (“**Final Consideration**”).

The full amount of the Final Consideration shall be attributable, firstly, as to the Subsequent Claims at the face value thereof on the Grant Date, and the balance thereof to the Subsequent Shares.

2.6 Put Option: Initial Sale Equity

2.6.1 In the event that the Subsequent Conditions are for any reason whatsoever not fulfilled in the manner contemplated in the Agreement and the acquisition by the Purchaser of the Subsequent Sale Equity is unable to be successfully completed, Bauba shall be obliged:

2.6.1.1 by delivery of a written notice (“**Demand Notice**”) to demand that the Seller repurchases from Bauba (and the Seller shall be obliged forthwith to repurchase from Bauba) the Initial Sale Equity, at the purchase consideration of R10 million (“**Repurchase Price**”) paid by Bauba to the Seller, plus interest thereon at the prime rate calculated from the Closing Date up to and including the date of payment in full;

2.6.1.2 to secure payment of the full Repurchase Price (inclusive of accrued interest) to Bauba by no later than five business days after delivery by Bauba of the Demand Notice (“**Repurchase Date**”) on the terms set out in the Agreement.

In the absence of receipt of a Demand Notice, the Seller shall be entitled on written notice addressed to Bauba to demand immediate delivery of the share certificates pertaining to the Initial Shares, together with a re-cession of the Initial Claims on the terms set out in the Agreement.

2.7 Regulatory approvals

As at the Signature Date, the parties to the Agreement are of the provisional view that the approval of the Competition Authorities for the Acquisition contemplated in the Agreement is not required.

Application will be made to the DMR, at the sole cost of Bauba, for the Ministerial Consent (“**Section 11 Application**”).

Subsequent to the Acquisition, the memorandum of incorporation of Thatswana Co. will be reviewed to ensure that it does not prevent Bauba from complying with its obligations in terms of the Listings Requirements of JSE Limited (“**JSE**”).

3. FINANCIAL INFORMATION

Shareholders are advised that as the value of the net assets that are the subject of the Acquisition as at 30 June 2019, and the profit attributable to the net assets that are the subject of the Acquisition for the year-ended 30 June 2019, will only be ascertained following the Due Diligence Investigation, shareholders are advised to exercise caution when dealing in the Company's securities until a further announcement relating to the outstanding financial information is made.

4. CLASSIFICATION OF THE ACQUISITION

The Acquisition is classified as a Category 2 transaction in terms of the JSE Listings Requirements.

Johannesburg
23 July 2019

Sponsor
Merchantec Capital