

WG Wearne Limited
(“Wearne” or “the company” or “the Group”)

(Incorporated in the Republic of South Africa)
(Registration number 1994/005983/06)
JSE Code: WEA
ISIN: ZAE000078002

Corrective announcement regarding abridged results and Milost transaction

1) Abridged audited consolidated financial statements for the year ended 28 February 2017 (“the announcement”)

- 1.1 Shareholders are referred to the announcement released on SENS on 4 October 2017. Paragraph 1 “Notes to the financial information”) should have read:

The reviewed financial results for the year ended 28 February 2017 which was released on SENS on 3 July 2017 has been restated. The reviewed financial results for the period ended 28 February 2017 have been restated due to the following items:

1. Revenue decreased from R417,829 million to R389,429 million due to the elimination of Intercompany administrative charges resulting in a decrease in Gross Profit to R41,769 million. The restatement of Revenue has no impact on the comprehensive loss for the year under review of R32,185 million (2016: R12,468 million)
2. A decrease in Operating expenses to R62,964 million due to the re-classification of Intercompany expenses previously recognised.
3. A decrease in both Trade Payables and Receivables of R9,828 million due to the elimination of intercompany Sundry Debtors and Creditors.

1.2 Audit report

The audit report issued by Grant Thornton on the underlying annual financial statements included a modified audit report based on material uncertainty relating to going concern and reportable irregularities and not an emphasis of matter.

The material uncertainty relating to going concern is due to the group incurring a loss from continuing operations of R28.8 million during the year ended 28 February 2017. The group's ability to fund its short-term liquidity requirements is dependent on the continued financial support of all funders, the successful conclusion of final agreements, and timeous draw downs, on the "Milost" facility obtained from a Private equity firm from the United States of America, the successful implementation of overhead reduction measures implemented by the board, receiving the contractual retention from a major client as expected and return to profitable trading.

The following reportable irregularities occurred and have been reported to the Independent regulatory board for Auditors on 12 September 2017:

- **Contravention of Section 30.3(c) of the Companies Act**

Each year a company must prepare annual financial statements, be approved by the Board and signed by an authorised director, within six months after the end of its financial year, or such shorter period as may be appropriate to provide the required notice of an annual general meeting in terms of section 61(7). Annual financial statements for the year ended 28 February 2017 have been prepared for the group, but not approved by the Board and signed by an authorized director.

- **Contraventions of the V.A.T. and P.A.Y.E Acts have taken place:**

On 19 June 2017 the Group entered into “instalment Payment Agreements” with SARS regarding the repayment of outstanding VAT and PAYE liabilities. Whilst the Instalment Payment Agreements have been adhered to, current VAT and PAYE amounts due for the months of June 2017 and July 2017 have not been paid. The Instalment Payment Agreement states that the agreement may be terminated or modified if any additional tax liabilities are not paid on the respective due dates.

- **Contravention of the Pensions / Provident Fund Act**

The Group has not paid over the pension / provident fund amounts deducted from employees’ salaries for the months June, July and August 2017 to the relevant Pension / Provident funds.

2) **Funding commitment between Wearne and Milost Global Inc (“Milost”)**

Shareholders are referred to the announcement dated 26 September 2017 between Wearne and Milost where Milost has committed equity and debt funding of up to R300 000 000 in terms of which Milost will, subject to certain terms and conditions:

- invest R50 million in Wearne for the subscription of ordinary shares in Wearne; and
- lend and advance R250 million in convertible notes.

For clarity purposes the R250 million in convertible options will require shareholders’ approval.

6 October 2017
Randburg

Designated advisor
Exchange Sponsors