

**W G WEARNE LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number: 1994/005983/06)  
(Share Code: WEA ISIN Code: ZAE000078002)  
("Wearne" or "the Company" or "the group")

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**Update on the Milost transaction and the Willows Fountain Quarry at Pietermaritzburg**

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**1. Milost transaction**

Shareholders are referred to the announcement released on SENS on 6 October 2017 and 26 September 2017.

Shareholders are informed that Wearne has entered into an Equity Subscription Agreement with Milost Global Inc ("the Investor") on 20 October 2019 ("the Agreement"), which will be effective as of 20 October 2017. The salient features of the Agreement are set out herein.

In terms of the Agreement, the Investor will invest up to R300 000 000 (three hundred million Rand) in the Company as follows:

- R50 000 000 (fifty million Rand) in draw-downs of ordinary shares in the Company (each draw down an "Equity/Ordinary Share Draw Down"); and
- R250 000 000 (two hundred and fifty million Rand) in draw-downs of convertible notes in the Company (each note draw down a "Note Draw Down").

The convertible notes shall be unsecured convertible notes bearing simple interest at the rate of 5% per annum, with interest payable quarterly in arrears in cash. They will have a maturity date of 5 years from the date of issuance and will be convertible into ordinary shares of the Company on the basis described below. The issuing of the convertible notes shall be subject to shareholder approval.

The transaction will be subject to the Listings Requirements of the JSE Limited ("JSE"), the Financial Markets Act and all other legislation, rules and requirements applicable to companies listed on the JSE.

In terms of a general authority approved by the shareholders of the Company, the board of the Company has delegated authority to issue Ordinary Shares up to 50% of the ordinary no par value issued shares of the Company at a maximum discount of 10% to the 30 Business Day Volume Weighted Average Price ("VWAP"). When the Investor becomes a related party as defined in the JSE Listing Requirements ("Related Party") the Company must obtain the approval from the JSE and its shareholders for further Ordinary Share Draw Downs. Should it be required to issue additional shares for Ordinary Share Draw Downs the approval of the JSE and shareholders is required.

The Company has to pay the Investor a commitment fee equal to five percent (5%) of the amount of each Equity or Convertible Note Draw Down payable to the Investor in Ordinary Shares upon receipt by the Company of such Equity or Convertible Note Draw Down amount into the bank account of the Company in cleared funds.

The Company may make Draw Downs at its sole discretion with the Company issuing Ordinary Shares or Convertible Notes to the Investor in return for the investment, up to a total of R50, 000, 000 in Ordinary Shares and R250, 000, 000 in Convertible Notes. The Company controls the timing of any Draw Down.

Upon the terms and conditions set forth in the Agreement, on any draw down notice date the Company may request a Draw Down by the Investor by the delivery of a Draw Down Notice. The number of Ordinary Shares or Convertible Notes that the Investor shall receive for each Draw Down shall be determined by dividing the amount of the Draw Down by the Purchase Price.

The first three Ordinary Share Draw Downs shall not be below R5, 000, 000 nor exceed R10, 000, 000 per Draw Down for working capital. After the first three Ordinary Share Draw Downs, the majority of the funds of each subsequent Ordinary Share Draw Down shall be used for an acquisition or project or development and shall not be below R10, 000, 000 nor exceed R20, 000, 000. The aggregate maximum amount of all Draw Downs that the Investor shall be obligated to pay under this Agreement shall not exceed the Commitment Amount.

After the first Equity Draw Down, the Investor will be able to nominate a non-executive director to be a representative of the Investor on the board of the Company and the Investor will be entitled to nominate a second non-executive director for appointment to the board of the Company after a total of R10 million has been drawn down by the Company against the Total Equity Component.

The Purchase Price of the Ordinary Shares shall be the 5-day VWAP of the Ordinary Shares on the JSE for the five (5) trading days immediately preceding the issuance of a Draw Down Notice plus a 275% premium ("Ordinary Share Purchase Price"). Convertible Notes will be issued at a 200% premium.

If the 5-day volume weighted average closing price of the Ordinary Shares on the JSE during the last five (5) trading days of a 90 Business Day period following the Draw Down Notice of the Total Equity Component is not at or above the Ordinary Share Purchase Price, then the Company shall pay the Investor a Defrayment Amount (as hereafter defined) in Ordinary Shares issuable by the Company to the Investor within ten (10) Business Days from the end of the ninety (90) Business Day period equal to that number of Ordinary Shares.

Should the share price not reach and settle at or above the Purchase Price for at least three (3) business days at the end of the ninety (90) business days from the date of the Equity Draw down Payment, the Company will recognize to the Investor, a discount of ten percent (10%) of the Market Price and the variance between the Equity Purchase Price and the Market Price (i.e. closing price) at ninety (90) business days from the date of the Draw Down Payments ("Discounted Price"), provided that the Discounted Price shall not be more than 10% discount on the 30-day VWAP of the Company' shares prior to the issue of the Draw Down Notice.

In all cases and notwithstanding the foregoing, the Purchase Price, the Defrayment Amount, the Draw Downs and all or any conversion into Ordinary Shares in terms of this Agreement is subject to the following Listings Requirements of the JSE, the Companies Act of 2008 and/or the shareholder approval:

- (i). the discount on Ordinary Shares under the Company's general authority to issue shares for cash shall not be more than a 10% discount on a 30-day VWAP of the Company's Ordinary Shares prior to the issue of the Draw Down Notice, failing which JSE and shareholder approval will be required for a Specific Authority to issue Ordinary Shares for cash;
- (ii). If the Investor is a Related Party, the Company must obtain the approval of the, and/or the JSE and/or the shareholders of the Company for a Specific Authority to issue shares for cash; and

(iii). If the Investor triggers a mandatory offer or wishes to acquire more than 35% of the issued Ordinary Shares of the Company, then the Investor and the Company will need to comply with the requirements of the TRP.

The Investor agrees to advance to the Company the amount specified in any Draw Down Notice delivered by the Company subject to the following conditions precedent and the other terms and conditions set forth in this Agreement, each of which may be waived in the discretion of the Investor:

(a) The Company will have sufficient authorised share capital and authority to issue Ordinary Shares in connection with any Note Draw Down or where existing authority levels are exceeded in the future or if the Investor becomes a related party, the Company will issue a circular to shareholders in order to seek the necessary Regulatory approvals in General Meeting;

(b) the Convertible Notes shall be legal, valid and binding obligations of the Company, subject to shareholder approval;

(c) the Company currently has all material approvals required by the JSE and shareholders to enter into this MESA for the offer and sale of the Convertible Notes and Ordinary Shares but additional approvals will be required once the Investor becomes a Related Party as defined in the JSE Listings Requirements or in the event that the Purchase Price falls outside of the current authority levels in terms of the Company's general authority to issue shares for cash from time to time. The issuance of the Convertible Notes shall be subject to the shareholder approval. The sale and issuance of the Convertible Notes and Ordinary Shares shall be legally permitted by all laws and regulations to which the Company is subject to from time to time;

(d) the Company shall have filed with the JSE in a timely manner all reports, notices and other documents required under the rules of the JSE;

(e) each of the representations and warranties made by the Company pursuant to this Agreement (or in any amendment, modification or supplement hereto or thereto) shall, except to the extent that they relate to a date, be true and correct in all material respects on and as of such date as if made on and as of the applicable Draw Down Date;

(f) the Company shall have complied with each covenant and agreement applicable to it contained in this Agreement as of the applicable Draw Down Date;

(g) the Company shall have paid the Investor, or issued Ordinary Shares to the Investor for, the applicable Commitment Fee due and payable for each Draw Down.

## **2. Joint venture in respect of Willows Fountain Quarry at Pietermaritzburg**

Shareholders are referred to the SENS announcement dated 10 July 2017 regarding the joint venture entered into between Wearne and Wearne Aggregates (Pty) Ltd, a wholly owned subsidiary of Wearne, and Right Gold Machinery Proprietary Limited in respect of the Willows Fountain Quarry situated at Pietermaritzburg.

Shareholders are advised that a circular for shareholder approval will be incorporated into the circular to obtain shareholders' approval for the Milost transaction.

Cresta  
23 October 2017

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