



TRUSTCO GROUP HOLDINGS LIMITED
Incorporated in the Republic of Namibia
(Registration number 2003/058)
NSX Share Code: TUC
JSE Share Code: TTO
ISIN Number: NA000A0RF067
("Trustco" or "the Company")

EXERCISE OF OPTION BY TRUSTCO AND THE RESULTANT ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HUSO INVESTMENTS PROPRIETARY LIMITED

1. INTRODUCTION

- 1.1. Shareholders are referred to the SENS announcements published on 2 February 2015, 22 June 2015 and 24 June 2015 in terms of which the Company advised shareholders, *inter alia*, of its intention to pursue opportunities in the resources sector and further that the Company has entered into an option agreement ("**the Option Agreement**") with Quinton van Rooyen, the CEO of Trustco, in terms of which the Company acquired an option to acquire the entire shareholding in Huso Investments (Pty) Ltd ("**Huso**"), of which Quinton van Rooyen is the sole shareholder ("**the Option**"), via its wholly-owned subsidiary, Trustco Resources (Pty) Ltd ("**Trustco Resources**").
- 1.2. Further to the publication of the announcements referred to above, shareholders are now advised that the Company has exercised the aforesaid Option and has consequentially entered into a Share Purchase Agreement with, *inter alia*, Quinton van Rooyen ("**the Seller**") dated 14 July 2015 ("**the Share Purchase Agreement**") for the acquisition of the entire issued share capital of Huso ("**the Acquisition**").
- 1.3. Huso is the holding company of Northern Namibian Development Company (Pty) Ltd ("**NNDC**"), a diamond mining and exploration entity in Namibia and Morse Investments (Pty) Ltd ("**Morse**"), a licensed diamond processing and polishing factory in Namibia. NNDC and Morse are collectively referred to hereinafter as the "**Subsidiaries**".
- 1.4. In terms of the Share Purchase Agreement and as set out in paragraph 4 below, the total purchase consideration payable by Trustco to the Seller in respect of the Acquisition, will be settled through an issue of new Trustco shares to the Seller.
- 1.5. Minority shareholders of the Company were provided the opportunity to access all relevant information on the transaction as well as the opportunity to engage amongst themselves and the majority shareholder with regards to the Acquisition.
- 1.6. In terms of the Option Agreement, irrevocable undertakings to vote in favour of the Acquisition must be obtained from at least 50% of Trustco shareholders, excluding the Seller and his associates. Shareholders are hereby advised that sufficient irrevocable undertakings, to vote in favour of the Acquisition, have been obtained from Trustco shareholders excluding the seller and his associates..
- 1.7. The effective date of the Acquisition shall be 30 September 2015.

2. INFORMATION ON HUSO, NNDC AND MORSE

As set out in paragraph 1.3 above, Huso is the holding company of NNDC and Morse. NNDC is the holder of an Exclusive Prospecting License (“EPL”) situated in the Kunene region in the north-western area of Namibia. Morse is the holder of a Diamond Cutting and Polishing license, with facilities in place to operate.

3. RATIONALE FOR THE ACQUISITION

- 3.1 The Acquisition will create a natural foreign exchange hedge for the Company.
- 3.2 The authoritative Fraser Institute Annual Survey of Mining Companies: 2014 places Namibia 1st in Africa as the most attractive mining investment destination. In 2015 Namibia was placed 2nd after Botswana.
- 3.3 Namibia is a participant of and fully compliant with the Kimberley Process Certification Scheme.
- 3.4 Diamond market fundamentals are in support of price appreciation, as according to analysis by De Beers insight report, a copy of which can be found at www.debeersgroup.com, McKinsey & Company (www.mckinsey.com) and Bain & Company (www.bain.com) indicate that demand will outstrip supply by a considerable margin from 2019 onwards.
- 3.5 According to the Diamond Empowerment Fund (www.diamondempowerment.org), Namibia is one of the world’s largest producers of gem quality diamonds, with approximately 98% of diamonds produced being gem quality.
- 3.6 Opportunities in the diamond sector, especially a vertically integrated business model within the diamond value chain, as established by Huso, are very scarce.
- 3.7 The Acquisition is expected to create shareholder value to the shareholders of the Company and the Seller provides a guarantee to this effect, as set out in paragraph 6.1.1.
- 3.8 More than 2500 Namibian Trustco shareholders will benefit directly from the natural resources of Namibia.
- 3.9 Local beneficiation will stimulate this sub-sector in Namibia due to the vertical integrated model of Huso.
- 3.10 The Acquisition will unlock economic benefit in one of the most isolated regions of Namibia in support of Government’s national development objectives.

4. PURCHASE CONSIDERATION

- 4.1. The maximum purchase consideration in respect of the Acquisition shall be N\$3 621 149 000 (“**the Purchase Consideration**”), payable to the Seller by way of an issue of 772.1 million Trustco shares to the Seller, at an issue price of N\$4.69 per share, which Purchase Consideration will be settled as follows:
 - 4.1.1. an initial amount of N\$672 000 000 (“**the Initial Amount**”), which will be settled by way of an issue of 143.3 million Trustco shares to the Seller, at an issue price of N\$4.69 per share, which Initial Amount represents 100% of the current value of the Mineral Resources Estimate, as defined in the Competent Person’s Report. The Initial Amount must be settled within 30 days of the closing date of the Share Purchase Agreement, being the date upon which the outstanding conditions precedent of the Share Purchase Agreement, as set out in paragraph 5 below, have been fulfilled (“**the Closing Date**”);

4.1.2. the balance of the Purchase Consideration will be settled in accordance with the following table:

4.1.2.1. a fixed number of Trustco shares issued annually to the Seller, for a period of 9 years from the Closing Date (“the **Payment Term**”), upon reaching of the Earnings Before Interest, Tax, Depreciations and Amortizations After Stock Adjustments (“**EBITDAASA**”) annual target as per the table below in each respective year:

Annual financial year end	EBITDAASA annual Target	Number of shares issued
31/3/2016	N\$50 million	6.4 million
31/3/2017	N\$110 million	14.1million
31/3/2018	N\$121 million	15.5 million
31/3/2019	N\$133.1 million	17 million
31/3/2020	N\$146.4 million	18.7 million
31/3/2021	N\$161.1 million	20.6 million
31/3/2022	N\$177.2 million	22.7 million
31/3/2023	N\$194.9 million	24.9 million
31/3/2024	N\$214.4 million	27.4 million

plus

4.1.2.2 four hundred and sixty one million five hundred thousand (461.5 million) Trustco shares, at an issue price of N\$4.69 per share, to be issued at any time during the Payment Period upon establishment of the Resource (as determined by an Independent Competent Persons’ Report) to be in excess of 1.5 million carats, which value excludes the Resources already paid for as per clause 4.1.2.1. If the carats exceed 1.5 million carats, the shares will be limited to 461.5 million shares.

4.1.2.3 no shares will be issued to the Seller if the targets referred to 4.1.2.1 and 4.1.2.2 are not achieved.

4.2 If the targets referred to in paragraphs 4.1.2.1 and 4.1.2.2 are exceeded, the shares to be issued will be limited to the amounts specified in the aforesaid paragraphs. In such event any value in respect of such excess will be forfeited by the Seller in favour of the Purchaser.

5 **CONDITIONS PRECEDENT**

The Share Purchase Agreement shall be subject to at least the following conditions Precedent:

5.1 The parties shall, within 90 (ninety) days from the signature date of the Share Purchase Agreement, apply for and obtain the approval (conditionally or unconditionally) of the Namibian Competition Commission for the Acquisition;

5.2 That the Subsidiaries shall hold all licences required for operations and that Morse receives an Export Processing Zone status;

5.3 A Competent Person’s Report, acceptable to the JSE and the board of the Company, be obtained within 90 days from the signature date of the Share Purchase Agreement;

5.4 An Independent Fairness Opinion, in accordance with the JSE Listings Requirements, be obtained in respect of the Acquisition, within 90 days from the signature date of the Share Purchase Agreement;

5.5 That the following licences are in place in respect of NNDC, within 90 days from the signature date of the Share Purchase Agreement:

- (a) Water extracting Permit;
 - (b) Environmental Assessment Certificate;
- 5.6 That shareholders' approval be obtained after a circular in terms of the JSE Listings Requirements and the rules of the NSX;
- 5.7 That the JSE and the NSX approve the issue and listing of the Trustco shares to be issued and listed in terms of the Purchase Consideration;
- 5.8 That all the parties will obtain board approval for the conclusion of the Share Purchase Agreement;
- 5.9 That the Company will be satisfied with the tax consequences of the Acquisition following an independent tax opinion if required by any of the parties.

6 WARRANTIES

The parties have given each other the warranties and indemnities that are usual for transactions of this nature. More particularly, the Seller has given the following warranties to the Company:

- 6.1 The Subsidiaries shall have the installed capacity to produce at least 15,000 carats per annum and accordingly:
- 6.1.1 The Seller guarantees that the minimum average EBITDAASA contribution from the Subsidiaries to the Company, over the first three year period, will be at least N\$0.30 EBITDAASA per share contribution annually to the newly issued Trustco shares, issued for both the Value Add and EBITDAASA, relating to the Acquisition. Should the Subsidiaries not meet this performance criteria, the Company may exercise its right to terminate the Share Purchase Agreement.
- 6.1.2 The Seller warrants that an exclusive marketing agreement between NNDC and Morse have been concluded and will remain in force for the duration of the Payment Term;
- 6.1.3 The Seller warrants that it shall not exercise its rights in terms of section 327 of the Companies Act, Act 28 of 2004, as amended from time to time (which provision deals with the power to acquire shares of minorities in take-over schemes), or any other similar provision in this or any other legislation which entitles a majority shareholder to acquire shares from minority shareholders, other than by agreement between the majority shareholder and the minority shareholders.

7 FINANCIAL EFFECTS

The value of the net assets, subject to the Acquisition, is N\$672 million. This includes property, plant and equipment, mining assets, trade receivables, inventory less long-term borrowings and trade payables.

The above net assets resulted in a loss of N\$903 486 for the financial year ended 31 March 2015. These losses relate to costs incurred during the exploration phase. This financial information has been extracted without adjustment from the unaudited, unreviewed, consolidated results of Huso and its subsidiaries.

8 CATEGORISATION OF THE ACQUISITION

The Acquisition constitutes a Category 1 Acquisition, from a related party, in terms of the JSE Listings Requirements and accordingly requires shareholder approval. Accordingly, a circular detailing the terms of the Acquisition, incorporating a notice convening a general meeting of

shareholders, will be posted to shareholders in due course. As at the Effective Date, the number of shares issuable in terms of this transaction will not exceed the number of shares in issue.

9 SUBSIDIARY COMPANIES

The constitutional documents of Huso and its subsidiaries adhere to the necessary Schedule 10 requirements of the JSE Listing Requirements.

By order of the Board.

S Miller

Company Secretary

Windhoek

15 July 2015

JSE Sponsor
Sasfin Capital (a division of Sasfin Bank Limited)

NSX Sponsor
IJG Securities (Pty) Limited

Transaction Sponsor
PSG Capital

Auditors
BDO

Corporate Advisor
DEA-RU Pty Ltd