

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 4 of this Circular apply throughout this Circular, including this cover page.

Action required:

1. This Circular is important and should be read with particular attention to the section entitled “Action required by Shareholders”, which commences on page 2 of this Circular.
2. If you are in any doubt as to the action you should take, please consult your Broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
3. If you have disposed of all or any of your Shares, please forward this Circular to the purchaser of such Shares or to the Broker, CSDP, banker or other agent through whom the disposal was effected.

The Directors, collectively and individually, accept full responsibility for the accuracy of the information given herein and certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement false or misleading, and that they have made all reasonable enquiries to ascertain such facts and that this Circular contains all information required by law and the Listings Requirements.



**TRANS HEX
GROUP**

TRANS HEX GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1963/007579/06)

Share code: TSX ISIN: ZAE00018552

(“Trans Hex” or the “Company” or the “Group”)

CIRCULAR TO TRANS HEX SHAREHOLDERS

regarding:

- a disposal of the business conducted by THO, as a going concern, relating to and / or in connection with the exploration, prospecting, mining for, recovery, treatment, production and disposal of diamonds in respect of the LOR Operations; and
- the cession and transfer of the LOR Mining Right associated with the LOR Operations,

and incorporating:

- the Competent Person’s Report;
 - a notice convening the General Meeting; and
 - a Form of Proxy in respect of the General Meeting (for use by Certificated Shareholders and Dematerialised Shareholders with “own name” registration only).
-

Sponsor

Legal Advisor

Independent Auditors and
Reporting Accountants

Competent Person

ONE CAPITAL TABACKS
Capitalising Expertise®



SNOWDEN

Date of issue: Friday, 3 August 2018

This Circular is available in English only. Copies of this Circular are available from each of the registered offices of the Company, and the sponsor, at the addresses set out in the “Corporate information and advisors” section of this Circular, from Friday, 3 August 2018 to Monday, 3 September 2018, both days inclusive. This Circular will also be available on the Company’s website (www.transhex.co.za) from Friday, 3 August 2018.

CORPORATE INFORMATION AND ADVISORS

Registered Office of the Company

Trans Hex Group Limited
(Registration number: 1963/007579/06)
405 Voortrekker Road
Parow 7500, South Africa
(PO Box 723, Parow 7499)

Place and date of incorporation

Incorporated in 1963 in the Republic of South Africa

Sponsor

One Capital Sponsor Services Proprietary Limited
(Registration number: 2000/023249/07)
17 Fricker Road, Illovo
Johannesburg 2196, South Africa
(PO Box 784573, Sandton 2146)

Independent Auditors and Reporting Accountants

PricewaterhouseCoopers Inc.
(Registration number: 1998/012055/21)
Capital Place 15 – 21 Neutron Avenue
Technopark
Stellenbosch 7600, South Africa
(PO Box 57, Stellenbosch 7599)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank 2196, South Africa
(PO Box 61051, Marshalltown 2107, South Africa)

Company Secretary

Statucor Proprietary Limited
(Registration number: 1989/005394/07)
6th Floor, 123 Hertzog Boulevard
Foreshore, Cape Town 8001
South Africa
(PO Box 3883, Cape Town 8000)

Legal Advisor

Mervyn Taback Inc.
(Registration number: 2000/02454/21)
13 Eton Road, Parktown
Johannesburg 2198, South Africa
(PO Box 3334, Houghton, Johannesburg 2041)

Competent Person

Snowden Mining Industry Consultants
Proprietary Limited
(Registration number: 1998/023556/07)
Technology House, Greenacres Office Park
Victory Park, Gauteng 2195, South Africa
(PO Box 2613, Parklands, Johannesburg 2121)

Purchaser

Lower Orange River Diamonds Proprietary Limited
(formerly Koffiefontein Diamonds Proprietary Limited)
(Registration number: 2006/023721/07)
D8 Octo Place, Elektron Avenue
Techno Park, Stellenbosch 7600, South Africa

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ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 4 of this Circular apply to this section.

This Circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the actions required by Shareholders.

If you are in any doubt as to the action you should take, please consult your Broker, CSDP, banker, accountant, attorney or other professional advisor immediately.

If you have disposed of all or any of your Trans Hex Shares, please forward this Circular to the purchaser of such Trans Hex Shares or to the Broker, CSDP, banker or other agent through whom the disposal was effected.

VOTING AND ATTENDANCE AT THE GENERAL MEETING

The General Meeting will be held at the Company's registered offices, 405 Voortrekker Road, Parow, Cape Town on Monday, 3 September 2018 at 09:00, to consider and if deemed fit, pass the Ordinary Resolution set out in the Notice of General Meeting, with or without modification.

1. Dematerialised Shareholder without "own name" registration

1.1 Attendance and representation at the General Meeting

In accordance with the mandate between you and your Broker or CSDP, you must advise your Broker or CSDP if you wish to attend the General Meeting in person, and your Broker or CSDP will procure the necessary letter of representation is issued for you to attend the General Meeting (or any adjournment or postponement thereof).

1.2 Voting at the General Meeting

If you are a Dematerialised Shareholder without "own name" registration, your Broker or CSDP should contact you to ascertain how you wish to cast your votes at the General Meeting (or any adjournment or postponement thereof) and will thereafter cast your votes in accordance with your instructions.

If you have not been contacted by your Broker or CSDP, it is advisable that you contact and furnish your Broker or CSDP with your voting instructions.

If your Broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the provisions of the custody agreement concluded between you and your Broker or CSDP.

You must **not** complete the attached Form of Proxy.

2. Certificated Shareholder or Dematerialised Shareholder with "own name" registration

2.1 Voting, attendance and representation at the General Meeting

If you are a Certificated Shareholder or a Dematerialised Shareholder with "own name" registration, you may attend, participate in and vote at the General Meeting in person.

Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy in accordance with the instructions contained therein and delivering it to the Transfer Secretaries, as follows:

- **by hand:** Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196, South Africa; or
- **by post:** PO Box 61051, Marshalltown 2107, South Africa; or
- **by e-mail:** proxy@computershare.co.za; or
- **by fax:** +27 11 688 5238,

so as to be received by no later than Thursday, 30 August 2018 at 09:00, being at least 48 hours before the commencement of the General Meeting.

Should the Form of Proxy not be delivered to the Transfer Secretaries by this date and time, you will be entitled to furnish your Form of Proxy to the chairman of the General Meeting before the appointed proxy exercises any of your Shareholder rights at the General Meeting (or any adjournment or postponement thereof).

If you hold Certificated Shares and wish to Dematerialise such Shares, please contact the Transfer Secretaries or your Broker or CSDP.

3. Electronic participation in the General Meeting

Shareholders (or a representative or a proxy of such Shareholders) may participate in (but not vote at) the General Meeting by way of telephone conference call. If they wish to do so they:

- must email helenac@transhex.co.za by no later than 09:00 on Thursday, 30 August 2018 in order to obtain dial-in details for the conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the General Meeting.

Shareholders and their proxies will not be able to vote telephonically at the General Meeting and will still need to appoint a proxy or representative to attend the General Meeting in person and to vote on their behalf at the General Meeting.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless otherwise stated or the context so requires, the words and expressions in the first column have the meanings stated opposite them in the second column, words in the singular shall include the plural and *vice versa*, words denoting one gender include the others and expressions denoting natural persons include juristic persons and associations of persons and *vice versa*:

"Agreement"	the agreement headed " <i>Sale of Business and Assets Agreement</i> ", dated 17 April 2018, as amended, entered into between THO and LOR Diamonds, together with all annexures and schedules, which stipulates the terms and conditions of the Transaction;
"Board" or "Directors" or "Trans Hex Directors"	the board of directors of Trans Hex as at the Last Practicable Date, the names of whom are set out on page 10 of this Circular, or any one or each of them, as the context may require;
"Bondholders"	the mortgagees in whose favour the Notarial Bond has been granted and registered by THO, being Cream Magenta, Metcap and RAC;
"Broker"	a " <i>stockbroker</i> " as defined in the Financial Markets Act;
"Business"	the whole of the business conducted by THO as at the Effective Date, as a going concern, relating to and / or in connection with the exploration, prospecting, mining for, recovery, treatment, production and disposal of diamonds in respect of its " <i>Lower Orange River Operations</i> ", consisting of: <ul style="list-style-type: none">– the Business Assets;– the Business Liabilities; and– the Transferring Employees; as further detailed in Annexure 1 to this Circular;
"Business Assets"	the right, title and interest in and to the assets and undertakings owned, used or held by THO for use in or in respect of the operation of the Business as at the Effective Date, as further detailed and defined in Annexure 1 to this Circular, comprising: <ul style="list-style-type: none">– the Consumable Stock;– the Contracts;– the Intellectual Property;– the Mining Information;– the Mining Plant, Equipment and Assets;– the Occupation Rights;– the Tailings; and– all other assets of whatever nature which are owned by THO and used solely in connection with the Business, but excluding the Excluded Assets;
"Business Day"	any day, other than a Saturday, Sunday or gazetted public holiday in South Africa;
"Business Liabilities"	the aggregate of all and any liabilities (whether contractual, delictual or otherwise, known or unknown, and whether actual or contingent) of THO in respect of and / or in connection with the Business, the Business Assets and the LOR Mining Right (excluding the Excluded Liabilities), the cause of action in respect of which: <ul style="list-style-type: none">– arises from, relates to and / or is connected with the Transferring Liabilities; and / or– arises at any time on or after the Effective Date;
"Certificated Shareholders"	holders of Certificated Shares;
"Certificated Shares"	Trans Hex Shares which have not been Dematerialised and which are represented by a share certificate or other Document of Title;
"Circular"	this circular to Trans Hex Shareholders, dated Friday, 3 August 2018, including all annexures hereto and incorporating the Notice of General Meeting and the Form of Proxy;

"Closing Date"	the date of implementation of the Disposal, being the fifth Business Day after all of the Conditions Precedent have been fulfilled in accordance with their respective terms;
"Commencement Date"	1 April 2018;
"Companies Act"	the Companies Act, No. 71 of 2008, as amended from time to time, together with the regulations thereto;
"Competition Act"	the Competition Act, No. 89 of 1998, as amended from time to time;
"Competent Person"	Snowden Mining Industry Consultants Proprietary Limited (Registration number 1998/023556/07), a private company registered and incorporated in terms of the laws of South Africa;
"Competent Person's Report"	the report prepared by the Competent Person, in compliance with Section 12 of the Listings Requirements;
"Competition Authorities"	the Competition Commission or Competition Tribunal, as the case may be, having jurisdiction to approve the Disposal in terms of the provisions of the Competition Act;
"Conditions Precedent"	the conditions precedent to the implementation of the Disposal, as detailed in paragraph 4.4 of this Circular, or any one or each of them as the context may require;
"Contract Mining Agreement"	the interim mining agreement headed " <i>Contract Mining Agreement</i> ", dated 17 April 2018, entered into between THO and LOR Diamonds, in terms of which LOR Diamonds is appointed by THO, as an independent contractor to THO, to undertake and conduct, for LOR Diamonds' own account and benefit, mining operations on the Property pursuant to the LOR Mining Right for the duration of the Contract Period, which governs the contractual relationship between THO and LOR Diamonds in relation to such interim mining operations;
"Contract Period"	the period from the Commencement Date up to and including the Grant Date;
"Cream Magenta"	Cream Magenta 140 Proprietary Limited (Registration number 2004/030300/07), a private company registered and incorporated in terms of the laws of South Africa and a wholly owned subsidiary of The Christina Helmien Wiese Trust, the trustees of which include Christina Helmien Wiese, Christo Wiese and Old Mutual Wealth;
"CSDP"	a " <i>participant</i> " as defined in the Financial Markets Act, being a person authorised by a licenced central securities depository to perform custody and administration services or settlement services or both in terms of the central securities depository rules;
"Deferred Payment"	the eight consecutive monthly instalments in the sum of R2,75 million each in cash, totaling R22 million in aggregate, payable by LOR Diamonds to THO on account of the Purchase Consideration: <ul style="list-style-type: none"> – the first of which shall be payable by no later than the first day of the fifth calendar month after the Signature Date, and on the first day of each successive calendar month thereafter; and – the last of which shall be payable by no later than the first day of the calendar month immediately following the calendar month in which the first anniversary of the Signature Date occurs;
"Dematerialisation" or "Dematerialise" or "Dematerialised"	the process by which securities which are evidenced by a certificate are converted to securities that are held in collective custody by a CSDP or its nominee in a separate central securities account and are transferable by entry without a certificate or written instrument;
"Dematerialised Shareholders"	holders of Dematerialised Shares;
"Dematerialised Shares"	Trans Hex Shares which have been Dematerialised;
"Disposal"	the disposal of the Business by THO to LOR Diamonds, as more fully described in paragraph 4.3 of this Circular;
"DMR"	the relevant Regional Manager or other official of the Department of Mineral Resources, acting personally or under delegated authority;
"Documents of Title"	tangible documents of title including share certificates, certified transfer deeds, balance receipts or any other tangible document of title evidencing ownership of Trans Hex Shares acceptable to Trans Hex;

"Effective Date"	notwithstanding the Signature Date, 1 April 2018, unless otherwise agreed in writing between the THO and LOR Diamonds, always provided that all of the Conditions Precedent have been fulfilled (or waived, to the extent applicable);
"Excluded Assets"	the assets of THO specified in Schedule 7 of the Agreement, all amounts due, owing or payable to THO by any debtor in respect of the Business as at the Effective Date, accounts receivable and the LOR Mining Right including IT equipment and all diamonds extracted, recovered or produced on or from the Property as at 31 March 2018, including but not limited to all diamonds recovered pursuant to the provisions of the Zerenne Contract (as defined in Annexure 1 to this Circular);
"Excluded Liabilities"	the following liabilities of THO: <ul style="list-style-type: none"> – any taxation liabilities of THO in respect of the Business for any period prior to the Effective Date; and – in relation to the Business and / or the Business Assets, all and any liabilities of THO as at the Effective Date arising from, relating to and / or in connection with: <ul style="list-style-type: none"> • all accounts payable; • the Litigation Liabilities (including, for avoidance doubt, the NDTF Claim); and • the Retained Employee Obligations;
"Financial Markets Act"	Financial Markets Act, No. 19 of 2012, as amended from time to time;
"Form of Proxy"	the form of proxy incorporated into this Circular for use by Certificated Shareholders and Dematerialised Shareholders with "own name" registration only, for purposes of appointing a proxy to represent such Trans Hex Shareholder at the General Meeting;
"General Meeting"	the general meeting of Trans Hex Shareholders to be held at 405 Voortrekker Road, Parow, Cape Town on Monday, 3 September 2018 at 09:00, to consider and if deemed fit, pass the Ordinary Resolution set out in the Notice of General Meeting, with or without modification;
"Grant Date"	the date of receipt by THO (or LOR Diamonds, as the case may be) of the Ministerial Consent;
"Group"	collectively, Trans Hex and its subsidiaries;
"IFRS"	International Financial Reporting Standards;
"Initial Payment"	the aggregate cash consideration of R50 million, including any accrued interest in respect of late payments, paid by LOR Diamonds to THO on account of the Purchase Consideration;
"JSE"	JSE Limited (Registration number 2005/022939/06), a public company registered and incorporated in terms of the laws of South Africa and licensed to operate an exchange under the Financial Markets Act;
"Last Practicable Date"	the last practicable date prior to the finalisation of this Circular, being Thursday, 26 July 2018;
"Listings Requirements"	the JSE Limited Listings Requirements, as amended from time to time;
"Litigation Liabilities"	any liability of THO in relation to the Business in respect of and / or arising from any claim of whatever nature, whether contingent or actual, liquidated or unliquidated and however arising (including, without limitation, all costs of and associated with the defence of any action, application and / or claim instituted and / or brought against THO in connection with and / or pertaining to any litigation liability), the cause of action in respect of which arose prior to the Effective Date, excluding any such claim relating to, arising from and / or in connection with the Business Liabilities;
"LOR Diamonds"	Lower Orange River Diamonds Proprietary Limited (formerly Koffiefontein Diamonds Proprietary Limited) (Registration number 2006/023721/07), a private company registered and incorporated in terms of the laws of South Africa;
"LOR Mining Right"	the mining right for diamonds granted and issued to THO in terms of the MPRDA under DMR Ref NC 30/5/1/2/2/531(MRC) and registered in the Mineral and Petroleum Titles Registration Office under MPT No. 64/2009 over the Property, together with all rights and obligations attaching thereto or arising thereunder, as such mining right is constituted as at the Effective Date;

“LOR Operations”	collectively, Baken Mine, Bloeddrif Mine and Reuning Mine, all of which are currently under care and maintenance, further details of which are contained in paragraph 4.1 of this Circular;
“Metcap”	Metcap 14 Proprietary Limited (Registration number 2002/010619/07), a private company registered and incorporated in terms of the laws of South Africa and a wholly owned subsidiary of The Caroline Clare Wiese Trust, the trustees of which include Caroline Clare Wiese-Wentzel, Christo Wiese and Old Mutual Wealth;
“Mining Area”	the whole of the area to which the LOR Mining Right relates and includes any <i>“mining area”</i> as defined in Section 1 of the MPRDA as at the Effective Date;
“Ministerial Consent”	the written consent of the Minister in terms of Section 11(1) of the MPRDA to the cession and transfer of the LOR Mining Right by THO to LOR Diamonds;
“MPRDA”	Mineral and Petroleum Resources Development Act, No. 28 of 2002, as amended from time to time;
“NDTF Claim”	the amount claimed by the Namaqualand and Diamond Fund Trust (IT No. 1202/1994), a discretionary trust established by the Government of the Republic of South Africa for the advancement of the rural Richtersveld communities in 1994, which has instituted a claim against THO in respect of alleged contractual royalties payable in terms of historic mineral leases between the state and a predecessor-in-title of THO;
“Notarial Bond”	the special notarial bond BN29828/2017 registered by THO in favour of the Bondholders in respect of the earth-moving equipment as listed in Schedule 15 of the Agreement;
“Notice of General Meeting”	the notice convening the General Meeting incorporated in this Circular;
“Ordinary Resolution”	a resolution adopted by Shareholders with the support of more than 50% of the voting rights exercised on the resolution;
“Property”	the portion of the remainder of the farm Richtersveld No. 11, situated in the magisterial district of Namaqualand, Northern Cape Province, comprising some 41 343,43 hectares in extent, as depicted on the map annexed to the Agreement as Schedule 3, and insofar as THO may be responsible in law (directly or contingently) for anything done or omitted to be done within the Mining Area under applicable health, safety or environmental laws, the Property shall for purposes of the Agreement be deemed to include the surface areas of all immovable properties encompassed within the Mining Area, together with all permanent improvements thereon;
“Purchase Consideration”	the sum of R72 million (exclusive of VAT, subject to the provisions of the Agreement), comprising of the Initial Payment and Deferred Payment, payable by LOR Diamonds to THO for the Business Assets;
“RAC”	RAC Investment Holdings Proprietary Limited (Registration number 2013/225721/07), a private company registered and incorporated in terms of the laws of South Africa and a wholly owned subsidiary of RECM and Calibre Limited, a joint venture between Regarding Capital Management Proprietary Limited (“RECM”) (a fund manager) and Calibre Capital (RF) Proprietary Limited (“Calibre”), whereby PG Viljoen, J van Niekerk and T de Bruyn jointly control RECM and Calibre;
“Rand” or “R” or “ZAR”	South African Rand and cents, the official currency of South Africa;
“Register”	collectively, the register of Shareholders holding Certificated Shares maintained by the Transfer Secretaries and the sub-register of Shareholders who hold Dematerialised Shares maintained by the relevant CSDPs, in accordance with Section 50 of the Companies Act;
“Rehabilitation Liabilities”	except as expressly otherwise provided for in the Agreement, any and all obligations and liabilities of whatever nature of THO arising under or in terms of the relevant environmental laws / matters and / or the MPRDA relating to the Business, the LOR Mining Right and / or the Property, however and whenever arising, whether in terms of statute, contract or delict, at common law or otherwise, and whether arising before, on or after the Effective Date;
“Rehabilitation Provision”	the aggregate sum of R58,2 million of the total cash assets of the Rehabilitation Trust which is attributable to the Rehabilitation Liabilities as at the Effective Date;

“Rehabilitation Trust”	the Trans Hex Rehabilitation Trust Fund, Master’s Reference No. IT1357/97, an environmental rehabilitation trust established in compliance with the provisions of Section 37A of the Income Tax Act, No. 58 of 1962;
“Retained Employee Obligations”	any and all liabilities of THO, excluding the Transferred Employee Liabilities, for the payment of salary, remuneration, any employee benefit contributions (medical aid, pension or provident fund), Pay-As-You-Earn, Unemployment Insurance Fund or other like amounts to or in respect of the Transferring Employees and the short-term / temporary employment contracts which remain in existence between THO and certain persons as at the Effective Date;
“SENS”	the stock exchange news service of the JSE;
“Signature Date”	the date of last signature of the Agreement by THO and LOR Diamonds, being 17 April 2018;
“South Africa”	the Republic of South Africa;
“Strate”	Strate Proprietary Limited (Registration number 1998/022242/07), a private company registered and incorporated in terms of the laws of South Africa, which is licensed to operate, in terms of the Financial Markets Act, and which is responsible for the electronic settlement system of the JSE;
“Transaction”	collectively, the Disposal and cession and transfer of the LOR Mining Right, as more fully described in paragraph 4 of this Circular;
“Transaction Agreements”	collectively, the Agreement and the Contract Mining Agreement;
“Transfer Secretaries”	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company incorporated under the laws of South Africa;
“Transferred Employee Liabilities”	the total of all and any amounts payable but unpaid to the Transferring Employees (as defined in Annexure 1 to this Circular) in respect of accrued leave pay, bonuses, long-service awards or otherwise and / or which would be payable to them as severance payments if they were to be retrenched by THO as at the Effective Date, excluding the Retained Employee Obligations;
“Transferring Liabilities”	the liabilities as at the Effective Date of THO relating to, arising from and / or in connection with the Business and the LOR Mining Right, as further detailed and defined in Annexure 1 to this Circular, comprising: <ul style="list-style-type: none"> – the Environmental Matters; – the Rehabilitation Liabilities; – the Social and Labour Plan Obligations; and – the Transferred Employee Liabilities;
“Trans Hex” or “Company” or “Group”	Trans Hex Group Limited (Registration number 1963/007579/06), a public company registered and incorporated in terms of the laws of South Africa and listed on the main board of the JSE;
“Trans Hex Shares” or “Shares”	ordinary shares of no par value in the share capital of Trans Hex;
“Trans Hex Shareholders” or “Shareholders”	the holders of Trans Hex Shares;
“Treasury Shares”	352 328 Trans Hex Shares owned by the trustees for the time being of the Trans Hex Group Limited Share Option Trust;
“THO”	Trans Hex Operations Proprietary Limited (Registration number 1968/012100/07), a private company registered and incorporated in terms of the laws of South Africa and an indirect wholly owned subsidiary of Trans Hex;
“VAT”	means value-added tax as levied from time to time in terms of the Value-Added Tax Act, No. 89 of 1991;
“Voting Shares”	Trans Hex Shares, excluding Treasury Shares, amounting to 115 135 785 Trans Hex Shares; and
“West Coast Resources” or “WCR”	West Coast Resources Proprietary Limited (Registration number 2011/007203/07), a private company registered and incorporated in terms of the laws of South Africa of which the Company holds 67,2% interest and the balance is held by the State through the Department of Public Enterprises (20,0%), Dinoka Investment Holdings (8,8%) and the Namaqualand Diamond Fund Trust (4,0%).

SALIENT DATES AND TIMES ¹

The definitions and interpretations commencing on page 4 of this Circular apply to this section.

2018

Record date to determine which Shareholders are entitled to receive this Circular, on	Friday, 27 July
Posting of this Circular to Shareholders, on	Friday, 3 August
Notice of posting of this Circular and Notice of General Meeting published on SENS, on	Friday, 3 August
Last day to trade in Trans Hex Shares in order to be recorded in the Register and thereby be eligible to attend, speak and vote at the General Meeting, on ^{2,3}	Tuesday, 21 August
Record date to determine which Shareholders are entitled to attend, speak and vote at the General Meeting, on	Friday, 24 August
Forms of Proxy to be received by the Transfer Secretaries by 09:00, on ^{4,5,6}	Thursday, 30 August
General Meeting to be held at 09:00, on	Monday, 3 September
Results of General Meeting published on SENS, on or about	Monday, 3 September

Notes:

1. The dates and times set out in this Circular are subject to change, with the approval of the JSE (if required). Any change in the dates and times will be published on SENS. All times given in this Circular are local times in South Africa.
2. Shareholders should note that as trades in Trans Hex Shares are settled in the electronic settlement system used by Strate, settlement of trades will take place three Business Days after such trade. Therefore, persons who acquire Trans Hex Shares after Tuesday, 21 August 2018, being the last day to trade in order to be eligible to attend, speak and vote at the General Meeting, will not be entitled to attend, speak and vote at the General Meeting.
3. No Dematerialisation or rematerialisation of Trans Hex Shares may take place between the date after the last day to trade in order to be eligible to attend, speak and vote at the General Meeting, being Tuesday, 21 August 2018, and the record date in respect of being eligible to attend, speak and vote at the General Meeting, being Friday, 24 August 2018, both days inclusive.
4. Dematerialised Shareholders, other than those with "own name" registration, must provide their Broker or CSDP with their instructions for voting at the General Meeting by the cut-off date and time stipulated by their Broker or CSDP in terms of their respective custody agreements.
5. Any Form of Proxy not delivered to the Transfer Secretaries by the stipulated date and time may be handed to the chairman of the General Meeting (or any adjournment or postponement thereof) before such Shareholder's voting rights are exercised at the General Meeting (or any adjournment or postponement thereof).
6. If the General Meeting is adjourned or postponed, the Forms of Proxy submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting.



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GROUP**

TRANS HEX GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1963/007579/06)

Share code: TSX ISIN: ZAE000018552

("Trans Hex" or the "Company" or the "Group")

DIRECTORS

MVZ Wentzel (*Chairman*)*

AG Rhoda**

PG Viljoen*

AJ Marais**

L Delport (*Chief Executive Officer*)

IP Hestermann (*Financial Director*)

JL Gurney^

* *Non-executive*

** *Independent*

‡ *Lead independent director*

^ *Alternate*

CIRCULAR TO TRANS HEX SHAREHOLDERS

1. INTRODUCTION

1.1 Trans Hex Shareholders are referred to the announcement published on SENS on Wednesday, 18 April 2018, wherein Shareholders were advised that THO, a wholly owned subsidiary of Trans Hex, entered into the Agreement with LOR Diamonds, in terms of which THO has agreed to, *inter alia*:

1.1.1 dispose of the business conducted by THO, as a going concern, relating to and in connection with the exploration, prospecting, mining for, recovery, treatment, production and disposal of diamonds in respect of the LOR Operations, consisting of the Business Assets, Business Liabilities and the Transferring Employees; and

1.1.2 cede and transfer the LOR Mining Right associated with the LOR Operations,

to LOR Diamonds, for the Purchase Consideration, being an aggregate cash consideration of R72 million and the assumption of the Business Liabilities.

1.2 To obtain a full understanding of the terms and conditions pertaining to the Transaction, this Circular should be read in its entirety.

2. PURPOSE OF THIS CIRCULAR

The purpose of this Circular is to:

2.1 provide Shareholders with information relating to the Transaction and the manner in which it will be implemented, so as to enable Shareholders to make an informed decision as to how they wish to exercise their vote in respect of the Ordinary Resolution to be proposed at the General Meeting, as contained in the Notice of General Meeting;

2.2 provide Shareholders with the Board's opinion and recommendation regarding the Transaction; and

2.3 convene the General Meeting, in terms of the Notice of General Meeting, to consider and, if deemed fit, approve (with or without modification) the resolution contained therein.

3. OVERVIEW OF LOR DIAMONDS

LOR Diamonds is a Black Woman Owned private company (as defined in terms of the Broad Based Black Economic Empowerment Act, No. 53 of 2003), held by Mrs Nathiera Kimber. The directors of LOR Diamonds include Mr Christopher Kimber and Mrs Nathiera Kimber. The beneficial shareholders of LOR Diamonds indirectly hold minority interests in a small portfolio of "greenfield" prospecting rights for diamonds which are being readied for initial exploratory drilling operations. LOR Diamonds' management team has extensive knowledge of and experience in the diamond exploration and mining industry, but is currently not engaged in other diamond mining operations.

LOR Diamonds intends on implementing new mining techniques and recovery processes at the LOR Operations, as well as ongoing and innovative environmental rehabilitation in respect of the disturbed surface area, which it is confident will be both cost-effective and sustainable.

4. DETAILS OF THE TRANSACTION

4.1 Overview of the LOR Operations

The LOR Operations are situated along the southern bank of the Orange River in the Richtersveld region of the Northern Cape and consist of Baken Mine, Bloeddrif Mine and Reuning Mine. The mining right for the LOR Operations was initially acquired in 1968 and for decades it served as the Company's flagship operations. However, despite extensive process improvements over many years, unsustainable financial losses necessitated the gradual downscaling and eventual closure of the LOR Operations.

4.1.1 Baken Mine

- 4.1.1.1 Baken Mine is situated on the banks of the lower Orange River, approximately 60 km from Alexander Bay. This operation mined the Baken palaeochannel, an ancient riverbed containing alluvial diamonds washed downstream from kimberlite (diamond-bearing volcanic rock) pipes millions of years ago. The site also contains lower grade meso terraces.
- 4.1.1.2 The Company made every effort to sustain operations at Baken Mine, however the mine's low carat production and subsequent financial losses were considered to be unsustainable. Given the circumstances, production at Baken Mine was halted in October 2017 and the mine was placed under care and maintenance.
- 4.1.1.3 Including a provision for retrenchment costs, Baken Mine incurred a loss of R184,4 million for the year ended 31 March 2018.

4.1.2 Bloeddrif Mine

- 4.1.2.1 Bloeddrif Mine is situated in the Richtersveld region along the banks of the lower Orange River, approximately 30 km upstream from Baken Mine. Although Bloeddrif Mine traditionally produced fewer diamonds than Baken Mine, the stones were generally larger and attracted better prices per carat.
- 4.1.2.2 As a result of the grade of gravel dropping below the threshold for economic mining, all mining operations at Bloeddrif Mine ceased in May 2017 and the mine was placed under care and maintenance.
- 4.1.2.3 Bloeddrif Mine incurred a loss of R26,7 million (including retrenchment costs) for the year ended 31 March 2018.

4.1.3 Reuning Mine

- 4.1.3.1 Reuning Mine is situated in the vicinity of Sendelingsdrift on the banks of the lower Orange River in the Richtersveld Transfrontier National Park and include the Nxodap plant and mining area, the Suidhek plant and the Jakkalsberg mining area.
- 4.1.3.2 All mining operations at Reuning Mine ceased during the 2015 financial year and the mine was placed under care and maintenance.
- 4.1.3.3 Reuning Mine incurred care and maintenance costs of R4,2 million for the year ended 31 March 2018.

4.2 Rationale for and effect of the Transaction

Trans Hex has been directing its efforts towards securing a sustainable future for the LOR Operations under a potential new dispensation, including exploring all reasonable ways and means of avoiding or minimising enforced retrenchments. Accordingly, the Transaction provides the Company with an opportunity to implement its strategy for the LOR Operations as well as provide the Company with additional capital that can be applied to fund its working capital requirements.

4.3 Terms of the Transaction

4.3.1 In terms of the Agreement:

- 4.3.1.1 subject to the Conditions Precedent being fulfilled or waived (to the extent permitted), with effect from the Effective Date, the Disposal will be implemented, whereby THO will dispose of the Business, as a going concern, to LOR Diamonds for the Purchase Consideration, on the terms and subject to the conditions of the Agreement; and
- 4.3.1.2 subject to the implementation of the Disposal, with effect from the Grant Date, THO will cede and transfer the LOR Mining Right to LOR Diamonds, on the terms and subject to the conditions of the Agreement and the Contract Mining Agreement (as further detailed in paragraph 5.1 of this Circular).

4.3.2 The Purchase Consideration will be settled by LOR Diamonds by way of the Initial Payment and the Deferred Payment, as follows.

- 4.3.2.1 The Initial Payment comprises an aggregate cash consideration of R50 million, plus any accrued interest in respect of late payments, calculated at an interest rate of 10,25%, which amount was fully paid by LOR Diamonds to THO on 29 June 2018.
- 4.3.2.2 The Deferred Payments comprises eight consecutive monthly instalments of R2,75 million each, totalling an aggregate deferred payment of R22 million, commencing five months after the Signature Date.

4.4 Conditions Precedent

4.4.1 The implementation of the Disposal is subject to the fulfilment or waiver (to the extent permitted) of, *inter alia*, the following conditions precedent:

- 4.4.1.1 the Agreement becomes unconditionally operative in accordance with its terms;
- 4.4.1.2 the Ordinary Resolution required to approve the Transaction being adopted by the requisite majority of Shareholders at the General Meeting, being a simple majority of votes of Shareholders being cast in favour; and
- 4.4.1.3 all necessary approvals required to implement the Disposal, including to the extent required the approval of the Competition Authorities on an unconditional basis, or to the extent that any such approvals are obtained subject to any condition or qualification, THO or LOR Diamonds (to the extent that it is adversely affected by the condition or qualification) confirms to the other party that the condition or qualification is acceptable to it, which confirmation shall not be unreasonably withheld or delayed.

4.4.2 As stated in the SENS announcement published on Wednesday, 18 April 2018, a Condition Precedent to the implementation of the Disposal was that the Bondholders of the Notarial Bond provide irrevocable consent to the cancellation of the Notarial Bond upon receipt by THO of the full Purchase Consideration ("**Bondholder Consent**"). As at the Last Practicable Date, the Bondholder Consent has been obtained and therefore the Bondholder Consent is no longer a condition precedent to the implementation of the Disposal.

4.4.3 In the event that the Conditions Precedent are not fulfilled or waived (to the extent permitted) by 140 days after the Signature Date, being 4 September 2018, or such later date as may be agreed between THO and LOR Diamonds, the Disposal will not be implemented and shall be of no force and effect.

4.4.4 In the event that the Disposal is not implemented, *inter alia*, the Contract Mining Agreement (as further detailed in paragraph 5.1 of this Circular) will terminate simultaneously and THO will reimburse to LOR Diamonds any amounts paid by LOR Diamonds in respect of the Purchase Consideration.

4.5 Categorisation

4.5.1 The Purchase Consideration amounts to approximately 54,86% of Trans Hex's market capitalisation (excluding Treasury Shares) as at Monday, 16 April 2018, being the date immediately prior to the Signature Date.

4.5.2 In the circumstances, the Transaction is classified as a category 1 transaction in terms of paragraph 9.5(b) of the Listings Requirements. Accordingly, the Transaction is subject to, *inter alia*, the approval of Shareholders at the General Meeting by way of an Ordinary Resolution, subject to a simple majority of votes of Shareholders being cast in favour thereof.

5. ANCILLIARY ARRANGEMENTS

5.1 Contract Mining Agreement

- 5.1.1 Simultaneously with the Agreement, THO and LOR Diamonds entered into the Contract Mining Agreement in terms of which LOR Diamonds, pending the grant of Ministerial Consent, will be appointed as an independent contractor to THO and will undertake and conduct for, its own account and benefit, mining operations within the Mining Area and on the Property forming part of the LOR Operations pursuant to the LOR Mining Right, for the Contract Period.
- 5.1.2 In terms of the Contract Mining Agreement, LOR Diamonds' rights and duties shall comprise, *inter alia*, the extraction, wining, treatment, production, sale and distribution of unpolished diamonds extracted and / or produced by LOR Diamonds from the land and Property forming part of the LOR Operations pursuant to the LOR Mining Right ("**Goods**").
- 5.1.3 Furthermore, THO and LOR Diamonds have agreed that, with effect from the Commencement Date until THO is exempted from the provisions of the Mine Health and Safety Act, No. 29 of 1996, ("**MHSA**") pursuant to an exemption application by LOR Diamonds in terms of Section 79 of the MHSA ("**Transitional Period**"), all Goods produced by LOR Diamonds pursuant to the Contract Mining Agreement will be marketed and sold by THO in accordance with its usual production cycles and marketing, tender and export sales processes and procedures, including in respect of any offer (and if applicable, sale) to the State Diamond Trader of a representative sample of the Goods in terms of Section 59B of the Diamonds Act, No. 56 of 1986.
- 5.1.4 LOR Diamonds shall pay to THO a marketing fee (plus VAT) calculated on the gross local and / or export sales proceeds ("**Sales Value**") derived from each production cycle of Goods produced by LOR Diamonds in terms of the Mining Contract Agreement and marketed and sold by THO during the Transitional Period of:
- 5.1.4.1 5% of the Sales Value up to R25 million; and
- 5.1.4.2 7% of the Sales Value in excess of R25 million.
- 5.1.5 LOR Diamonds undertakes to comply with its obligations so far as they pertain to regulatory and environmental compliance, employee obligations, maintenance of the LOR Operations, including but not limited to the Property and the Mining Area, and all such other duties as contained in the Contract Mining Agreement.

5.2 Transferring Employees

- 5.2.1 Upon the Agreement becoming unconditional and therefore the Transaction being implemented, Section 197 of the Labour Relations Act, No. 66 of 1995, shall be applicable in relation to the Transferring Employees and accordingly with effect from the Effective Date, *inter alia*, all the rights and obligations between THO and the Transferring Employees shall continue in force as if they had been rights and obligations between LOR Diamonds and the Transferring Employees.
- 5.2.2 It is not intended that any of the Transferring Employees will be dismissed by reason of the transfer of the Business to LOR Diamonds or a reason related to such transfer of the Business to LOR Diamonds.

5.3 Rehabilitation Liabilities

- 5.3.1 The most recent assessment of the aggregate financial provision required by the DMR in connection with the Rehabilitation Liabilities (as defined in Annexure 1 to this Circular), amounts to approximately R133,7 million ("**Existing Liability**"). The provision for Rehabilitation Liabilities as per the LOR Operations carve-out statement of financial position as at 31 March 2018 is R99,6 million, the difference being contingencies and VAT required by the DMR and not required to be made in the statement of financial position.
- 5.3.2 Subject to the provisions of the Agreement, with effect from the Effective Date:
- 5.3.2.1 THO shall contribute the Rehabilitation Provision of R58,2 million towards satisfaction of the Existing Liability; and
- 5.3.2.2 LOR Diamonds shall be responsible at its own cost to supplement the Rehabilitation Provision by providing an acceptable guarantee or other financial provision in the amount of approximately R75,5 million to the DMR towards satisfaction of the Existing Liability, being the Existing Liability of R133,7 million required by the DMR less the Rehabilitation Provision of R58,2 million contributed by THO.

6. PRO FORMA FINANCIAL INFORMATION

- 6.1 The table below sets out the summarised *pro forma* financial effects of the Transaction on the Company's basic and diluted loss, headline and diluted headline loss, net asset value and tangible net asset value per Trans Hex Share.
- 6.2 The summarised *pro forma* financial effects have been prepared to illustrate the effect of the Transaction on the published, audited consolidated financial information of Trans Hex for the year ended 31 March 2018, had the Transaction been implemented on 1 April 2017 for statement of comprehensive income purposes and on 31 March 2018 for statement of financial position purposes.
- 6.3 The summarised *pro forma* financial effects have been prepared using the accounting policies that comply with IFRS and that are consistent with those applied in the published, audited consolidated financial statements of Trans Hex for the year ended 31 March 2018.
- 6.4 The *pro forma* financial information is the responsibility of the Trans Hex Directors and have been prepared for illustrative purposes only and because of their nature may not fairly present the financial position, changes in equity and results of operations and cash flows of the Group after the Transaction.
- 6.5 The full *pro forma* financial information of Trans Hex and detailed notes are set out in Annexure 2 to this Circular. The independent reporting accountants' reasonable assurance report thereon is set out in Annexure 3 to this Circular.

<i>Notes</i>	Group Before the Transaction Audited 31 March 2018	Group <i>Pro forma</i> After the Transaction	Percentage Change (%)
<i>Notes</i>	1	2	
Basic and diluted earnings per Share – continuing operations (cents)	23,1	102,5	343,4
Basic and diluted (loss) / earnings per Share – discontinued operations (cents)	(198,7)	2,2	101,1
Basic and diluted (loss) / earnings per Share – total (cents)	(175,6)	104,7	159,6
Headline and diluted headline (loss) / earnings per Share – continuing operations (cents)	(8,7)	(1,9)	78,0
Headline and diluted headline (loss) / earnings per Share – discontinued operations (cents)	(207,8)	2,2	101,0
Headline and diluted headline (loss) / earnings per Share – total (cents)	(216,5)	0,2	100,1
Net asset value per Share (cents)	218,0	283,8	30,1
Tangible net asset value per Share (cents)	218,0	283,8	30,1
Number of Shares in issue ('000)	115 488	115 488	-
Number of Shares in issue, excluding Treasury Shares ('000)	115 136	115 136	-
Weighted average number of Shares in issue ('000)	107 551	107 551	-
Weighted average number of Shares in issue, excluding Treasury Shares ('000)	107 198	107 198	-

Notes:

- The financial information contained in the "Before the Transaction" column has been extracted without adjustment / derived from the published, audited consolidated financial statements of Trans Hex for the year ended 31 March 2018 ("**Published Information**").
- The financial information contained in the "*After the Transaction*" column has been prepared based on the Published Information and adjusted for:
 - The disposal of the Business, consisting of the Business Assets, Business Liabilities and Transferring Employees, to LOR Diamonds for an aggregate cash consideration of R72 million.
 - The adjustment to net finance cost of R10 million as a result of the cash consideration received.
 - The profit on sale of the Business of R78 million.
 - The payment of once-off transaction costs of R1,9 million.
 - Trans Hex is in a taxation loss position for which no deferred tax asset was created as at 31 March 2018. These adjustments therefore have no taxation impact in respect of the reported numbers.

For detailed notes to the *pro forma* financial information, please refer to Annexure 2 to this Circular.

7. OVERVIEW OF TRANS HEX

- 7.1 Trans Hex has been engaged in the exploration, mining and marketing of diamonds for more than 50 years.
- 7.2 Mining operations are presently focused in South Africa and Angola. The Company is renowned for consistently producing the highest quality diamonds available in the South African market. Rough production is sold into the open market, to the South African State Diamond Trader, to Trans Hex's joint-venture beneficiation Black Economic Empowerment polishing factory based in Johannesburg and to Sodiam, the Angolan state-run marketing company.
- 7.3 The Group seeks to identify and acquire diamond assets, either as a full or partial shareholder. The Company's business model is to locate, mine and process diamond deposits and to sell diamonds at an acceptable margin, in the process bringing its considerable in-house expertise to bear.
- 7.4 The Group is actively evaluating potential new diamond properties and pursuing opportunities to expand its diamond-marketing activities.
- 7.5 Trans Hex's operations prior to the implementation of the Transaction are illustrated below:

South Africa	Angola
<ul style="list-style-type: none">• LOR Operations, comprising Baken Mine, Bloeddrif Mine and Reuning Mine (100% ownership)• West Coast Resources (67,2% ownership)• Shallow water / marine operations (100% ownership)	<ul style="list-style-type: none">• Somiluana Mine (33% ownership)

Further details regarding the LOR Operations, West Coast Resources, the shallow water / marine operations and Somiluana Mine are available in Trans Hex's 2018 integrated annual report, available on the Company's website (<http://www.transhex.co.za/wp-content/uploads/2018/06/Trans-Hex-Group-2018-IAR-2018-web.pdf>).

- 7.6 Trans Hex's operations following the implementation of the Transaction are illustrated below:

South Africa	Angola
<ul style="list-style-type: none">• West Coast Resources (67,2% ownership)• Shallow water / marine operations (100% ownership)	<ul style="list-style-type: none">• Somiluana Mine (33% ownership)

8. HISTORICAL FINANCIAL INFORMATION

The historical financial information of the LOR Operations for the three financial years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the reporting accountants' report thereon are set out in Annexures 4 and 5 to this Circular, respectively.

9. COMPETENT PERSON'S REPORT

Shareholders are referred to Annexure 6 to this Circular for an executive summary of the Competent Person's Report on LOR Operations. The full document can be accessed on the Company's website: <http://www.transhex.co.za/wp-content/uploads/2018/08/Valuation-of-LOR-Mineral-Asset-Independent-Expert-Report.pdf>.

10. INFORMATION RELATING TO TRANS HEX DIRECTORS

10.1 Directors' interests

- 10.1.1 As at the Last Practicable Date, the beneficial interests of the Trans Hex Directors (those who are current Directors and those who resigned during the last 18 months) and their associates, directly and indirectly, in the issued share capital of Trans Hex, are as follows:

	Number of Shares			Percentage shareholding (%) ¹	
	Direct	Indirect	Held by	Total	Total
			associates		
L Delport	150 000	–	–	150 000	0,13
PG Viljoen ²	–	36 474 981	–	36 474 981	31,68
MVZ Wentzel ³	–	–	27 800 400	27 800 400	24,15

Notes:

- Percentage shareholding is calculated as a percentage of the Voting Shares.
- Mr Viljoen holds an indirect beneficial interest of 66,67% in RAC, through RECM and Calibre Limited. The number of Trans Hex Shares is representative of 100% shareholding by RAC in Trans Hex.
- Metcap, a major shareholder in Trans Hex, is ultimately controlled by a trust of which Mr Wentzel's wife, Mrs Caroline Clare Wiese-Wentzel, is a trustee and beneficiary. Mr Wentzel is also a beneficiary of the trust.

- 10.1.2 Between the end of the 2018 financial year and the Last Practicable Date, the following changes in the interests of the Trans Hex Directors (those who are current Directors and those who resigned during the last 18 months) and their associates in the issued share capital of Trans Hex occurred:

	Date	Purchase / disposal	Number of Shares	Share price	Total value
MVZ Wentzel ¹	12 July 2018	Purchase	200 000	R1,30 ²	R260 000,00
MVZ Wentzel ¹	13 July 2018	Purchase	500 000	R1,30	R650 000,00

Notes:

- Metcap, a major shareholder of Trans Hex, is ultimately controlled by a trust of which Mr Wentzel's wife, Mrs Caroline Clare Wiese-Wentzel, is a trustee and beneficiary. Mr Wentzel is also a beneficiary of the trust.
- VWAP

- 10.1.3 The Trans Hex Directors (those who are current Directors and those who resigned during the last 18 months) have not had any material beneficial interest, whether direct or indirect, in transactions that were effected by Trans Hex during the current or immediately preceding financial year or during an earlier financial year which remain in any respect outstanding or unperformed.

10.2 Directors' service contracts and remuneration

- 10.2.1 There are no particulars of an abnormal nature in respect of the Trans Hex Directors' service contracts which require specific disclosure.
- 10.2.2 Shareholders are referred to note 23 of Trans Hex's annual financial statements for the year ended 31 March 2018, commencing on page 121 of Trans Hex's 2018 integrated annual report, available on the Company's website (<http://www.transhex.co.za/wp-content/uploads/2018/06/Trans-Hex-Group-2018-IAR-2018-web.pdf>) for full particulars regarding the remuneration paid to Trans Hex Directors and prescribed officers.
- 10.2.3 The Trans Hex Directors' remuneration will not be varied as a consequence of the Transaction.

11. MAJOR SHAREHOLDERS

In so far as it is known to the Directors, the Shareholders beneficially holding 5% or more of the Trans Hex Shares in issue, together with each Shareholder's interest, as at the Last Practicable Date, are as follows:

	Number of Shares	Percentage shareholding (%)¹
RAC	36 474 981	31,68
Cream Magenta	27 800 400	24,15
Metcap	27 800 400	24,15
	92 075 781	79,98

Note:

1. Percentage shareholding is calculated as a percentage of the Voting Shares.

12. CORPORATE GOVERNANCE

The Board is of the opinion that the Group complies in all material respects with the principles embodied in the King IV Report on Corporate Governance for South Africa, 2016. Further details on the corporate governance policies and compliance of the Company can be accessed on <http://www.transhex.co.za/corporate-governance/>.

13. CONTROLLING SHAREHOLDERS

As at the Last Practicable Date, there are no controlling Shareholders of the Company.

14. IRREVOCABLE UNDERTAKINGS

As at the Last Practicable Date, Cream Magenta, Metcap and RAC have irrevocably undertaken to vote their Trans Hex Shares in favour of the Ordinary Resolution at the General Meeting, amounting in aggregate to 79,98% of the Voting Shares.

15. EXPENSES

The estimated expenses relating to the Transaction, including the costs of the professional advisors, all of which are exclusive VAT, and disbursements, amount to R1 879 450, comprised as follows:

Description	Payable to	Estimated fee R'000
Sponsor	One Capital Sponsor Services Proprietary Limited	200
Legal advisors	Mervyn Tabacks Inc.	260
Independent auditors and reporting accountants	PricewaterhouseCoopers Inc.	850
JSE documentation fee	JSE Limited	87
Competition Commission filing fee	Competition Authorities	200
Competent Person	Snowden Mining Industry Consultants Proprietary Limited	76
Printing and publishing	Midnight Star	186
Transfer Secretaries	Computershare Investor Services Proprietary Limited	20
		1 879

16. GENERAL MEETING

- 16.1 The General Meeting will be held at the Company's registered offices, 405 Voortrekker Road, Parow, Cape Town on Monday, 3 September 2018 at 09:00, to consider and if deemed fit, pass the Ordinary Resolution set out in the Notice of General Meeting, with or without modification.
- 16.2 Shareholders (or a representative or a proxy of such Shareholders) may participate in (but not vote at) the General Meeting by way of telephone conference call. If they wish to do so they:
- 16.2.1 must email helenac@transhex.co.za by no later than 09:00 on Thursday, 30 August 2018, in order to obtain dial-in details for the conference call;
- 16.2.2 will be required to provide reasonably satisfactory identification; and
- 16.2.3 will be billed separately by their own telephone service providers for their telephone call to participate in the General Meeting.
- 16.3 Shareholders (or a representative or a proxy of such Shareholders) will not be able to vote telephonically at the General Meeting and a Shareholder will still need to appoint a proxy or representative to attend the General Meeting in person and to vote on their behalf at the General Meeting.
- 16.4 The Form of Proxy, for use by Certificated Shareholders and Dematerialised Shareholders with "own name" registration who are unable to attend the General Meeting in person, is attached to this Circular.
- 16.5 A duly completed Form of Proxy must be received by the Transfer Secretaries by 09:00 on Thursday, 30 August 2018, being at least 48 hours before the commencement of the General Meeting, or handed to the chairman of the General Meeting before the appointed proxy exercises any of the relevant Shareholder's rights at the General Meeting (or any postponement or adjournment thereof).

17. MATERIAL CONTRACTS

- 17.1 As at the Last Practicable Date, other than the contracts entered into in the ordinary course of business and:
- 17.1.1 the Transaction Agreements;
- 17.1.2 the revolving Rand-denominated loan facility agreement entered into between Trans Hex, THO, Cream Magenta, Metcap and RAC, dated 1 September 2017, as amended ("**Loan Facility Agreement**"), whereby Cream Magenta, Metcap and RAC agreed to, *inter alia*, lend and advance amounts to THO, for use by the Group, up to a maximum aggregate amount of R148 000 000 ("**Loan**"). Any principal amount outstanding in regard to the Loan and any accrued interest thereon or other amounts outstanding will be repayable, in cash or through the issue of Trans Hex Shares (subject to necessary regulatory and Shareholder approvals at such time);
- 17.1.3 the cession *in securitatem debiti* agreement entered into between THO, Cream Magenta, Metcap and RAC, dated 1 September 2017, whereby THO, pursuant to the Loan Facility Agreement, agreed to, *inter alia*, cede *in securitatem debiti* all of THO's rights to and in (i) THO's claims against WCR for payment of the purchase price in respect of the sale of certain earth-moving equipment by THO to WCR; and (ii) all claims arising which THO has or may have against any purchaser of unpolished diamonds pursuant to a sale by THO of unpolished diamonds through its tender process;
- 17.1.4 the guarantee and cession *in securitatem debiti* and pledge agreement entered into between Benguela Concessions Limited, a wholly owned subsidiary of Trans Hex ("**Benguela**"), Cream Magenta, Metcap and RAC, dated 1 September 2017, whereby Benguela agreed, pursuant to the Loan Facility Agreement, to, *inter alia*, (i) provide a guarantee in favour of Cream Magenta, Metcap and RAC in regard to THO's obligations in terms of the Loan Facility Agreement; and (ii) as security for due performance in terms of the guarantee, pledge all the shares in THO held by Benguela, from time to time ("**THO Shares**"), and cede *in securitatem debiti* all of Benguela's rights to the THO Shares and Benguela's claims against THO and any and all indebtedness owed to Benguela by THO;

there are no other material contracts which Trans Hex or its subsidiaries, including the LOR Operations, have entered into, either verbally or in writing, within the preceding two years or which contain an obligation or settlement that is material to the Group.

18. VENDORS

Information relating to material acquisitions by the Group, within the preceding three years, is set out below.

Name of vendor	RAC
Beneficial shareholder of vendor (indirect)	Trans Hex has an interest of 67,2% in West Coast Resources, making the latter a major subsidiary of the Company; whilst RAC is a major Shareholder of the Company
Address	405 Voortrekker Road, PO Box 723, Parow 7499 Cape Town, South Africa
Asset purchased	Acquisition of a further 27,2% interest in West Coast Resources from RAC
Price paid to vendor in cash or shares	R39 068 510 settled through the issue of 9 436 838 Shares to RAC
Price paid to vendor in respect of goodwill	No goodwill was recognised for this acquisition
Loans incurred to finance acquisition	None
Date purchased	1 February 2018

- 18.1 Apart from the information disclosed above, no vendor has guaranteed book debts or other assets.
- 18.2 The agreements in terms of which the relevant material assets were acquired contain warranties standard for transactions of this nature.
- 18.3 The agreements entered into between the Group and the vendor did not preclude the vendors from carrying on business in competition with the Company nor did the agreements impose any other similar restrictions on the vendors and no payment in cash or otherwise has been made in this regard.
- 18.4 There are no liabilities for accrued taxation that are required to be settled in terms of the vendor agreements.
- 18.5 The Group is currently not contemplating any potential material acquisitions.
- 18.6 Shareholders are referred to the circular dated 2 November 2017, which is available on Trans Hex's website at www.transhex.co.za/wp-content/uploads/2017/11/Trans-Hex-Circular-2017.pdf, for further details of this acquisition.

19. MATERIAL CHANGE

There have been no material changes to the financial or trading position of the Group since the publication of Trans Hex's annual financial statements and the financial or trading position of the LOR Operations for the year ended 31 March 2018 to the Last Practicable Date.

20. LITIGATION

The Company is not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have or have had in the recent past, being the previous 12 months, a material effect on the financial position of the Group and the LOR Operations.

21. MATERIAL LOANS

As at the Last Practicable Date, the Group has the following material loans owing or receivable:

- 21.1 With reference to paragraph 17.1.2, the Loan Facility Agreement entails a revolving loan facility secured by a special notarial bond to the value of R264 000 000 over certain movable assets, cession of certain book debts, shares and claims. The loan carries interest at the rate of 2% per month and is repayable by 31 December 2019. The total amount available under the facility is R148 000 000. The amount outstanding as at 31 March 2018 was R123 821 000.
- 21.2 WCR has a loan owing to the Industrial Development Corporation to the value of R146 178 000 that is secured by a mortgage bond to the value of R38 775 000 over certain immovable properties and a general notarial bond over certain movable assets to the value of R173 383 700. The loan carries interest at the prime overdraft rate plus 0,4% and is repayable in 66 monthly instalments, the first of which was paid on 1 September 2016. The portion of this loan repayable within one year amounts to R34 365 455.

As at the Last Practicable Date, there are no material loans owing or receivable relating to the LOR Operations.

22. CONSENTS

Each of the sponsor, legal advisor, independent auditors and reporting accountants, Competent Person and Transfer Secretaries have consented and have not, prior to the Last Practicable Date, withdrawn their written consent to the inclusion of their names and, where applicable, their reports in the form and context in which they appear in this Circular.

23. DIRECTORS' RESPONSIBILITY STATEMENT

The Trans Hex Directors, whose names appear on page 10 of this Circular, collectively and individually, accept full responsibility for the accuracy of the information contained in this Circular and certify that to the best of their knowledge and belief there are no facts that have been omitted that would make any statement in this Circular false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

24. BOARD OPINION AND RECOMMENDATION

The Directors unanimously recommend that the Shareholders vote in favour of the Ordinary Resolution required to approve the Transaction at the General Meeting. Each of the Directors who hold Shares intends to vote his Shares in favour of the Ordinary Resolution required to approve the Transaction at the General Meeting.

25. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, following the implementation of the Transaction, the working capital available to the Group, is sufficient for the Group's present requirements, that is, for at least the next 12 months from the date of this Circular:

- 25.1 the Group will be able, in the ordinary course of business, to pay its debts;
- 25.2 the assets of the Group will be in excess of the liabilities of the Group;
- 25.3 the share capital and reserves of the Group will be adequate for ordinary business purposes; and
- 25.4 the working capital of the Group will be adequate for ordinary business purposes.

26. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies thereof are available for inspection by Trans Hex Shareholders at the registered offices of the Company and the sponsor, from the date of issue of this Circular up to and including the date of the General Meeting:

- 26.1 the memorandum of incorporation of Trans Hex and its subsidiaries;
- 26.2 the Transaction Agreements;
- 26.3 the Competent Person's Report in respect of the LOR Operations, an executive summary of which is included as Annexure 6 to this Circular;
- 26.4 the independent reporting accountants' reasonable assurance report on the *pro forma* financial information of Trans Hex, the text of which is included in Annexure 3 to this Circular;
- 26.5 the independent reporting accountants' audit and review opinions on the historical financial information of the LOR Operations for the three financial years ended 31 March 2016, 2017 and 2018, the text of which is included in Annexure 5 to this Circular;
- 26.6 copies of service agreements with the Trans Hex Directors entered into during the last three years;
- 26.7 the audited annual financial statements of the Company for the three financial years ended 31 March 2016, 2017 and 2018;
- 26.8 the written consents of the Company's professional advisors; and
- 26.9 this Circular.

On behalf of the Trans Hex Board

IP Hestermann

30 July 2018

ANNEXURE 1: OVERVIEW OF THE BUSINESS

As at the Effective Date, the Business is the whole of the business conducted by THO, as a going concern, relating to and / or in connection with the exploration, prospecting, mining for, recovery, treatment, production and disposal of diamonds in respect of its "*Lower Orange River Operations*"; consisting of the Business Assets, the Business Liabilities and the Transferring Employees, as further detailed below:

BUSINESS ASSETS¹	
Included	Excluded
<ul style="list-style-type: none"> – the Consumable Stock; – the Contracts; – the Intellectual Property; – the Mining Information; – the Mining Plant, Equipment and Assets; – the Occupation Rights; – the Tailings; and – all other assets of whatever nature which are owned by THO and used solely in connection with the Business. 	<ul style="list-style-type: none"> – the assets specified in Schedule 7 of the Agreement which include the IT equipment and all diamonds extracted, recovered or produced on or from the Property as at 31 March 2018, including but not limited to all diamonds recovered pursuant to the provisions of the Zerenne Contract; – the Accounts Receivable; and – the LOR Mining Right.
BUSINESS LIABILITIES	
Included	Excluded
<p>all and any liabilities (whether contractual, delictual or otherwise, known or unknown, and whether actual or contingent) of the seller in respect of and / or in connection with the Business,</p> <ul style="list-style-type: none"> – the Business Assets; and – the LOR Mining Right. 	<ul style="list-style-type: none"> – the taxation obligations; and – in relation to the Business and / or the Business Assets, all and any liabilities of the seller as at the Effective Date arising from, relating to and / or in connection with: <ul style="list-style-type: none"> • the accounts payable; • Litigation Liabilities; and • Retained Employee Obligations.
TRANSFERRING EMPLOYEES	
Included	Excluded
<p>the five employees of THO as listed in Schedule 14 of the Agreement who remain employees of THO in respect of and / or in connection with the Business in terms of the employee contracts between THO and such persons as at the Effective Date.</p>	<p>Not applicable.</p>

Notes:

1. In terms of the Agreement, the Purchase Consideration will be allocated to the Business Assets, subject to clause 11 of the Agreement, as to:
 - a) firstly, to the Consumable Stock in the sum of R22 million;
 - b) secondly, to the EME and Vehicles in the sum of R50 million; and
 - c) thereafter the balance of the Purchase Consideration to the remaining Business Assets, at the lower of the face value thereof or the written-down value in the books and records of the seller, subject to a minimum of R1,00.

Defined terms, as they pertain to the Business are detailed below.

“Business Liabilities”	<p>the aggregate of all and any liabilities (whether contractual, delictual or otherwise, known or unknown, and whether actual or contingent) of THO in respect of and / or in connection with the Business, the Business Assets and the LOR Mining Right (excluding the Excluded Liabilities), the cause of action in respect of which:</p> <ul style="list-style-type: none">• arises from, relates to and / or is connected with the Transferring Liabilities; and / or• arises at any time on or after the Effective Date;
“Consumable Stock”	<p>the inventory of THO’s consumable stocks (inclusive of fuels and lubricants), spares and parts in respect of the Business Assets as at the Effective Date;</p>
“Contracts”	<p>the contracts for goods, services and utilities of an operational nature relating to the Business as at the Effective Date, comprising:</p> <ul style="list-style-type: none">• the Employee Contracts;• the Consent Use Agreement;• the Security Contracts;• the Short-term Contracts; and• the Zerenne Contract;
“Environmental Matters”	<ul style="list-style-type: none">• pollution or contamination;• the disposal, release, spillage, deposit, escape, discharge, leak or emission of hazardous materials or Waste;• exposure of any person to, or contact with, hazardous materials or waste;• the processing, distribution, use, storage, transportation or handling of hazardous materials;• any other matters relating to human health and safety or the condition, protection, maintenance, restoration or replacement of the environment or any part of it arising at any time directly or indirectly out of the processing, treatment, keeping, handling, use, possession, supply, receipt, sale, purchase, import, export, transportation, or presence of any hazardous materials or waste; and• includes any matter relating to or concerning the protection of the environment;
“EME and Vehicles”	<p>the earth-moving equipment, trackless mobile machinery and vehicles owned by the Seller and used exclusively in connection with the Business as at the Effective Date;</p>
“Excluded Assets”	<p>in relation to the Business Assets (or any of them), the assets of THO specified in Schedule 7 of the Agreement; all amounts due, owing or payable to THO by any debtor in respect of the Business as at the Effective Date; accounts receivable and the LOR Mining Right including IT equipment and all diamonds extracted, recovered or produced on or from the Property as at 31 March 2018, including but not limited to all diamonds recovered pursuant to the provisions of the Zerenne Contract;</p>
“Intellectual Property”	<p>the Mining Information and any other intellectual property of whatever nature owned by THO and used exclusively in connection with the Business as at the Effective Date, including any unregistered, registerable or registered patent, copyright, design, trade mark or other property or right of a similar nature;</p>
“Mining Information”	<p>to the extent that the LOR Mining Right shall have been acquired by LOR Diamonds in terms of the Agreement, all information relating to the LOR Mining Right owned and / or in the possession of THO as at the Effective Date and which includes (without limitation) all geological data, exploration records, feasibility studies, commercial and technical information, drill cores, logs of drill cores, samples, books, files, reports, surveys, assays, analyses, maps, mosaics, aerial photographs, electromagnetic tapes, correspondence, documents and other material and information relating to technology, processes, products, specifications, inventions and designs, trade secrets and know-how of a commercially sensitive nature used, directly or indirectly, or developed for the purpose of and / or in connection with the exploration for and / or exploitation of diamonds on the Property and / or the rehabilitation of the Mining Area, in whatever form, format or medium same is held by THO as at the Effective Date;</p>
“Mining Plant, Equipment and Assets”	<p>the EME and Vehicles, together with all fixed plant, equipment, electrical installations and other mining assets and infrastructure situated or installed in or on the Property, including all office equipment and furniture, residential / hostel furnishings, fixtures and appurtenances and other like assets, owned by THO and used exclusively in connection with the Business as at the Effective Date, but excluding the Excluded Assets;</p>

“Occupation Rights”	all of THO’s right, title and interest in and to vacant and undisturbed occupation, possession and use (including the right to let or sub-let for its own account and benefit) of the buildings, offices, residential dwellings, structures and facilities on the Property for the duration of any and all mining operations pursuant to the LOR Mining Right;
“Rehabilitation Liabilities”	except as expressly otherwise provided for in the Agreement, any and all obligations and liabilities of whatever nature of THO arising under or in terms of the relevant environmental laws / matters and / or the MPRDA relating to the Business, the LOR Mining Right and / or the Property, however and whenever arising, whether in terms of statute, contract or delict, at common law or otherwise, and whether arising before, on or after the Effective Date;
“SLP”	Social and Labour Plan;
“SLP Obligations”	all and any obligations of THO as at the Effective Date arising under or in connection with its approved SLP pertaining to the LOR Mining Right, whether arising before, on or after the Effective Date, it being recorded that THO has disclosed to LOR Diamonds that it has outstanding expenditure commitments under the SLP amounting to approximately R19 million as at the Effective Date which are required to be fulfilled on or before 31 March 2020;
“Tailings”	any and all stockpiles, tailings (including current arisings) or other potentially re-minable or treatable residues situated in or on the Property;
“Transferred Employee Liabilities”	as at the Effective Date, the total of all and any amounts payable but unpaid to the Transferring Employees in respect of accrued leave pay (R350 083), bonuses (R67 207), long-service awards or otherwise (Rnil) and / or which would be payable to them as severance payments (R3 249 721) if they were to be retrenched by THO as at the Effective Date, excluding the Retained Employee Obligations specified in Schedule 14 of the Agreement;
“Transferring Employees”	the employees of THO as listed in Schedule 14 of the Agreement who remain employees of THO in respect of and / or in connection with the Business in terms of the employee contracts between THO and such persons as at the Effective Date; and
“Transferring Liabilities”	the liabilities as at the Effective Date of THO relating to, arising from and / or in connection with the Business and the LOR Mining Right, comprise: <ul style="list-style-type: none"> – the Environmental Matters; – the Rehabilitation Liabilities; – the SLP Obligations; and – the Transferred Employee Liabilities.
The Contracts are further defined as:	
“Consent Use Agreement”	the agreement between THO and the Richtersveld Municipality (as successor-in-title or assignee of the then-Department of Local Government, Housing and Agriculture: House of Representatives) dated 15 May 1991 (as amended) pursuant to which, <i>inter alia</i> , consent was granted to THO to use the surface areas of the Property for purposes of conducting mining operations until permanent cessation thereof against payment of a <i>pro rata</i> annual surface rental of R0,50/hectare (as may be adjusted by agreement from time to time), detailed in Schedule 6 of the Agreement;
“Employee Contracts”	all contracts, oral or written, in existence as at the Effective Date between the THO and the Transferring Employees;
“Security Contracts”	the security service contracts between THO and the service providers in respect of the Business and the Property as at the Effective Date;
“Short-term Contracts”	the short-term / temporary employment contracts which remain in existence as at the Effective Date, and were extended to 4 April 2018, between THO and the persons listed in Schedule 13 of the Agreement which include an electrician, a fitter and turner and a petrol attendant; and
“Zerenne Contract”	the agreement headed “ <i>Unincorporated Joint Venture Agreement</i> ” dated on or about 3 March 2017 entered into between THO and Zerenne Trading Proprietary Limited (Registration number 2012/034022/07) in connection with the retreatment of the Final Recovery Tailings, excluding all diamonds extracted, recovered or produced on or from the Property as at 31 March 2018, as same may have been amended from time to time.

ANNEXURE 2: PRO FORMA FINANCIAL INFORMATION OF TRANS HEX

The definitions and interpretations commencing on page 4 of this Circular apply to this annexure, unless a word or a term is otherwise defined herein.

The *pro forma* financial information has been prepared to illustrate the impact of the Transaction on the published, audited consolidated financial information of Trans Hex for the year ended 31 March 2018 had the Transaction been implemented on 1 April 2017 for income statement and statement of comprehensive income purposes and on 31 March 2018 for statement of financial position purposes.

The *pro forma* financial information have been prepared using the accounting policies that comply with IFRS and that are consistent with those applied in the published, audited consolidated financial statements of Trans Hex for the year ended 31 March 2018.

The *pro forma* financial information set out below is the responsibility of the Directors and has been prepared for illustrative purposes only and because of its nature may not fairly present the financial position, changes in equity and results of operations or cash flows of Group after the Transaction.

The *pro forma* financial information should be read along with the independent reporting accountants' report thereon, as set out in Annexure 3 to this Circular.

PRO FORMA INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

The *pro forma* income statement and statement of comprehensive income set out below illustrates the effect of the Transaction on the financial information of Trans Hex for the year ended 31 March 2018.

R'000	Group Before the Transaction Audited 31 March 2018 ¹	Disposal of the Business of the LOR Operations ²⁻⁵	Transaction costs ⁶	After the Transaction <i>Pro forma</i>
Continuing operations				
Revenue	192 542	–	–	192 542
Cost of goods sold	(172 205)	–	–	(172 205)
Gross profit	20 337	–	–	20 337
Share of results and impairment of associated companies	38 662	–	–	38 662
Royalties	(1 005)	–	–	(1 005)
Selling and administration costs	(61 192)	–	(1 879)	(63 071)
Mining loss	(3 198)	–	(1 879)	(5 077)
Exploration costs	(6 574)	–	–	(6 574)
Other income	–	–	–	–
Other gains / (losses) – net	45 724	(1 048) ²	–	44 676
Profit on sale of LOR Operations	–	77 791 ³	–	77 791
Finance income	25 020	1 972 ⁴	–	26 992
Finance costs	(32 981)	8 258 ⁴	–	(24 723)
Impairment of assets	–	–	–	–
Profit / (loss) before income tax	27 991	86 973	(1 879)	113 085
Income tax	(1 745)	–	–	(1 745)
Profit / (loss) for the year from continuing operations	26 246	86 973	(1 879)	111 340
Discontinued operations				
(Loss) / profit for the year from discontinued operations	(213 033)	215 347 ⁵	–	2 314
(Loss) / profit for the year	(186 787)	302 320	(1 879)	113 654
Attributable to:				
Continuing operations	26 246	86 973	(1 879)	111 340
– Owners of the parent	24 777	86 973	(1 879)	109 871
– Non-controlling interest	1 469	–	–	1 469
Discontinued operations	(213 033)	215 347	–	2 314
– Owners of the parent	(213 033)	215 347	–	2 314
(Loss) / profit for the year	(186 787)	302 320	(1 879)	113 654

R'000	Group Before the Transaction Audited 31 March 2018 ¹	Disposal of the Business of the LOR Operations ²⁻⁵	Transaction costs ⁶	After the Transaction <i>Pro forma</i>
Other comprehensive (loss) net of tax	(4 376)			(4 376)
Items that will not be reclassified to profit or loss				
Re-measurements of post-employment benefit obligations	320	–	–	320
Before-tax amount	320	–	–	320
Tax expense	–	–	–	–
Items that may be subsequently reclassified to profit or loss				
Translation differences on foreign subsidiaries before and after tax	232	–	–	232
Recycling of foreign currency translation differences on repayment of long-term receivables from foreign operations	(4 928)	–	–	(4 928)
Total comprehensive (loss) / profit for the year	(191 163)	302 320	(1 879)	109 278
Attributable to:				
Continuing operations	21 870	86 973	(1 879)	106 964
– Owners of the parent	20 401	86 973	(1 879)	105 495
– Non-controlling interest	1 469	–	–	1 469
Discontinued operations	(213 033)	215 347	–	2 314
– Owners of the parent	(213 033)	215 347	–	2 314
	(191 163)	302 320	(1 879)	109 278
Earnings / (loss) per share – basic and diluted (in cents)				
– Continuing operations	23,1	–	–	102,5
– Discontinued operations	(198,7)	–	–	2,2
Total	(175,6)	–	–	104,7
Headline (loss) / earnings and diluted headline (loss) / earnings per share (cents)				
– Continuing operations	(8,7)	–	–	(1,9)
– Discontinued operations	(207,8)	–	–	2,2
Total	(216,5)	–	–	0,2
Weighted average number of Trans Hex Shares in issue ('000)	107 551	–	–	107 551
Weighted average number of Trans Hex Shares in issue, excluding Treasury Shares ('000)	107 198	–	–	107 198
Total number of Trans Hex Shares in issue ('000)	115 488	–	–	115 488
Total number of Trans Hex Shares in issue, excluding Treasury Shares ('000)	115 136	–	–	115 136

Notes:

1. The financial information contained in the “*Before the Transaction*” column has been extracted without adjustment / derived from the published, audited consolidated financial statements of Trans Hex for the year ended 31 March 2018 (“**Published Information**”) on which PricewaterhouseCoopers provided an unqualified audit opinion.
2. Other gains represent forex gains on revenue transactions of the LOR Operations.
3. Details of the profit on disposal of the LOR Operations can be found in note 5 to the *pro forma* statement of financial position set out below.
4. Finance income at a rate of 7,8% per annum was accrued on the purchase consideration received for the period over which Trans Hex was in a cash positive position, whereas finance costs were reduced at a rate of 2% per month for the period over which Trans Hex was in a cash negative position.
5. The “*Loss for the year from discontinued operations*” of R215 million is reconciled to the amount of R238 million as per the carve-out historical financial information for the LOR Operations, as contained in Annexure 4 to this Circular, as follows:

R'000

Loss for the year from discontinued operations as per note 25 of the audited consolidated financial statements of Trans Hex for the year ended 31 March 2018 (215 347)

Adjusted for centralised costs / income that will remain within Trans Hex post the disposal of the LOR Operations:

Selling and administration costs (24 755)

Exploration costs (2 857)

Finance income 4 152

(238 807)

Other gains – net (forex gains) (1 048)

Loss from LOR Operations as per the carve-out statement of comprehensive income (237 759)

The financial information above has been extracted from the carve-out historical financial information for the LOR Operations for the year ended 31 March 2018, as contained in Annexure 4 to this Circular on which PricewaterhouseCoopers has provided an unqualified audit opinion.

6. Once-off transaction costs of R1,9 million, further details of which are contained in paragraph 15 of this Circular.
7. Trans Hex is in a taxation loss position for which no deferred tax asset was created as at 31 March 2018. These adjustments therefore have no taxation impact in respect of the reported numbers.
8. All of the adjustments, save for the profit on disposal of the LOR Operations and the transaction costs, are expected to have a continuing effect on the financial information of Trans Hex.

RECONCILIATION OF *PRO FORMA* HEADLINE (LOSS) / EARNINGS

R'000	Group Before the Transaction Audited 31 March 2018	Disposal of the Business of the LOR Operations	Transaction costs	After the Transaction <i>Pro forma</i>
Continuing operations				
Profit / (loss) for the year	24 777	86 973	(1 879)	109 871
Gain on bargain purchase with acquisition of subsidiary	(38 142)	–	–	(38 142)
Loss on re-measurement of fair value with acquisition of subsidiary	7 575	–	–	7 575
(Profit) / loss on sale of assets	1 357	(77 791)	–	(76 434)
Foreign currency translation differences on repayment of long-term receivables from foreign operations recycled to profit or loss	(4 928)	–	–	(4 928)
Headline (loss) / earnings	(9 361)	9 182	(1 879)	(2 058)
Headline (loss) / earnings and diluted headline (loss) / earnings per share (cents)	(8,7)	–	–	(1,9)
Discontinued operations				
Profit / (loss) for the year	(213 033)	215 347	–	2 314
(Profit) / loss on sale of assets	(9 748)	9 748	–	–
Headline (loss) / earnings	(222 781)	225 095	–	2 314
Headline (loss) / earnings and diluted headline (loss) / earnings per share (cents)	(207,8)	–	–	2,2
Total headline (loss) / earnings	(232 142)	234 277	(1 879)	256
Total headline (loss) / earnings and diluted headline (loss) / earnings per share (cents)	(216,5)	–	–	0,2

PRO FORMA STATEMENT OF FINANCIAL POSITION

The *pro forma* statement of financial position set out below illustrates the effect of the Transaction on the financial information of Trans Hex as at 31 March 2018.

R'000	Group Before the Transaction ¹ Audited 31 March 2018	Disposal of the Business of the LOR Operations ²⁻⁷	Transaction costs ⁸	After the Transaction <i>Pro forma</i>
ASSETS				
Non-current assets	772 044	–	–	772 044
Property, plant and equipment	498 669	–	–	498 669
Investments in associates	75 458	–	–	75 458
Investments held by environmental trust	70 459	–	–	70 459
Other financial assets	127 458	–	–	127 458
Current assets	172 287	72 000 ²	–	244 287
Inventories	74 522	–	–	74 522
Trade and other receivables	18 398	22 000	–	40 398
Current income tax	3	–	–	3
Cash and cash equivalents	79 364	50 000	–	129 364
Assets of a disposal group classified as held-for-sale	36 308	(36 308) ³	–	–
Total assets	980 639	35 692	–	1 016 331
EQUITY				
Capital and reserves	182 145	77 791	(1 879)	258 057
Stated capital	224 678	–	–	224 678
Other reserves	(18 684)	–	–	(18 684)
Retained profit / (loss)	(23 849)	77 791 ⁵	(1 879)	52 063
Non-controlling interest	69 654	–	–	69 654
LIABILITIES				
Non-current liabilities	338 213	57 845	–	396 058
Borrowings	111 813	–	–	111 813
Deferred income tax liabilities	33 943	–	–	33 943
Provisions	192 457	57 845 ⁴	–	250 302
Current liabilities	291 024	(341)	1 879	292 562
Trade and other payables	63 243	(341) ⁶	1 879	64 781
Interest in joint ventures	69 595	–	–	69 595
Borrowings	158 186	–	–	158 186
Liabilities of a disposal group classified as held-for-sale	99 603	(99 603) ³	–	–
Total equity and liabilities	980 639	35 692	–	1 016 331
Net asset value per share (cents)	218,0			283,8
Tangible net asset value per share (cents)	218,0			283,8
Total number of Trans Hex Shares in issue ('000)	115 488			115 488
Total number of Trans Hex Shares in issue, excluding Treasury Shares ('000)	115 136			115 136

Notes:

1. The financial information contained in the "Before the Transaction" column has been extracted without adjustment / derived from the published, audited consolidated financial statements of Trans Hex for the year ended 31 March 2018 ("Published Information") on which PricewaterhouseCoopers provided an unqualified audit opinion.
2. The Business of the LOR Operations, consisting of the Business Assets, Business Liabilities and Transferring Employees, are disposed for an aggregate cash consideration of R72 million of which R50 million is received as an Initial Payment and the remaining R22 million in eight consecutive monthly payments of R2,75 million each, as a Deferred Payment.
3. The assets held for sale consists of property, plant and equipment (R33,064 million) and consumables (R3,244 million) of the LOR Operations.
4. A rehabilitation provision represented by a guarantee liability of R58,2 million (equal to the investment held by the environmental trust) has been created. The balance of R0,4 million refers to the long-service award portion of liabilities associated with Transferring Employees.
5. The profit on the sale of the LOR Operations is calculated as follows:

	R'000
Purchase Consideration	72 000
Book value of Business Assets sold	(36 308)
Rehabilitaion liability taken over by the purchaser	99 603
Guarantee liability created	(58 200)
Liabilities associated with Transferring Employees	696
	77 791

6. This relates to the leave and bonuses payable to the Transferring Employees.
7. The financial information reflected in notes 3 to 6 above has been extracted from the carve-out historical financial information for the LOR Operations for the year ended 31 March 2018, as contained in Annexure 4 to this Circular on which PricewaterhouseCoopers has provided an unqualified audit opinion.
8. Once-off transaction costs of R1,9 million, further details of which are contained in paragraph 15 of this Circular.
9. The following assets and liabilities have been included in the carve-out statement of financial position of the LOR Operations but do not form part of the disposal and have therefore not been included in the adjustments above:
 - Diamond inventories
 - Accounts receivable
 - Accounts payable
 - Employee liabilities relating to employees that will not transfer to the seller as part of the transaction
 - Investments held by the Trans Hex Rehabilitation Trust Fund

ANNEXURE 3: INDEPENDENT REPORTING ACCOUNTANTS' REASONABLE ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF TRANS HEX

The definitions and interpretations commencing on page 4 of this Circular **do not** apply to this annexure.

"Board of Directors
Trans Hex Group Limited
405 Voortrekker Road
Parow
7500

Dear Sirs

Report on the Assurance Engagement on the Compilation of *Pro Forma* Financial Information included in the Circular

Introduction

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of Trans Hex Group Limited (the "**Company**") by the directors. The *pro forma* financial information, as set out in paragraph 6 and Annexure 2 of the Circular, consists of the *pro forma* statement of financial position as at 31 March 2018, the *pro forma* income statement and statement of comprehensive income for the 12 months ended 31 March 2018 and the *pro forma* financial effects (the "**Pro Forma Financial Information**"). The applicable criteria on the basis of which the directors have compiled the *pro forma* financial information are specified in the JSE Limited ("**JSE**") Listings Requirements and described in Annexure 2 of the Circular.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the disposal by the Company of its Lower Orange River Operations. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the year ended 31 March 2018, on which an audit report has been published.

Directors' responsibility

The directors of the Company are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Annexure 2 of the Circular.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors ("**IRBA Code**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Annexure 2 of the Circular based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

The purpose of *pro forma* financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the *pro forma* financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in Annexure 2 of the Circular.

PricewaterhouseCoopers Inc.

Director: H Zeelie

Registered Auditor

Stellenbosch

30 July 2018"

ANNEXURE 4: HISTORICAL FINANCIAL INFORMATION FOR LOR OPERATIONS FOR THE PERIODS ENDED 31 MARCH 2016, 31 MARCH 2017 AND 31 MARCH 2018

The definitions and interpretations commencing on page 4 of this Circular apply to this annexure, unless a word or a term is otherwise defined herein.

INTRODUCTION

The carve-out historical financial information of the LOR Operations for the three years ended 31 March 2018 set out below has been extracted from the audited (2018) and reviewed (2017 and 2016) carve-out historical financial statements of the LOR Operations for the three years ended 31 March 2018 (“**carve-out historical financial information**”).

The carve-out historical financial information is the responsibility of the Directors. The independent reporting accountant's reports on the carve-out historical financial information are presented in Annexure 5 and should be read in conjunction with the information presented in this Annexure 4.

GENERAL INFORMATION

Overview of the LOR Operations

The LOR Operations are situated along the southern bank of the Orange River in the Richtersveld region of the Northern Cape and consist of Baken Mine, Bloeddrif Mine and Reuning Mine. The LOR Operations are included in the South African operations of Trans Hex, a public company registered in South Africa.

The historical carve-out financial information has been derived from the audited financial statements of THO using the historical results of operations, assets and liabilities attributable to the LOR Operations. THO's financial statements were prepared in accordance with IFRS.

The directors of THO were responsible for the compilation of THO's audited financial statements and the internal controls as they determined were necessary to enable the preparation and presentation of those financial statements. The directors are responsible for the preparation of the historical carve-out financial information and believe that the basis of preparation, as set out below, fairly presents the LOR Operations' historical financial information in the circumstances.

On 17 April 2018, THO, a wholly owned subsidiary of Trans Hex, entered into an agreement to sell the LOR Operations to LOR Diamonds, (the “**Sale Agreement**”). For purposes of this carve-out historical financial information, the LOR Operations comprise the assets referenced within the Sale Agreement (the LOR mining right and the mining sale assets including consumable stock, mining plant, equipment and assets and the related contracts, intellectual property, mining information, tailings, occupation rights and all other assets of whatever nature which are used solely in connection with the LOR operations), the liabilities referenced within the Sale Agreement (all obligations and liabilities of the sale assets, rehabilitation liabilities, transferred employee liabilities, environmental matters and social and labour plan liabilities) and the assets and liabilities excluded from the Sale Agreement which are noted below.

The following assets and liabilities have also been included in the historical carve-out financial information, but do not form part of the Sale Agreement:

- Diamond inventories
- Accounts receivable
- Accounts payable
- Employee liabilities relating to employees that will not transfer to the seller as part of the transaction
- Investments held by the Trans Hex Rehabilitation Trust Fund

COMMENTARY

a) Baken Mine

Production at Baken Mine for the 2018 financial year totalled 13 944 carats (2017: 24 024 carats; 2016: 37 603 carats). The average grade amounted to 2,43 carats/100m³ (2017: 2,19 carats/100 m³; 2016: 1,28 carats/100 m³) and the average stone size decreased to 1,17 carats per stone (2017: 1,29 carats per stone; 2016: 1,42 carats per stone).

31 March 2018 – The Company made every effort to sustain operations at Baken Mine, however the mine's low carat production and subsequent financial losses were considered to be unsustainable. Production at Baken Mine was halted on 31 October 2017 and the mine was placed under care and maintenance.

31 March 2017 – The mine treated *in situ* gravels from the Baken main channel and Koeskop mining area.

31 March 2016 – As a result of the change in shift systems, the processing capacity of the Baken central plant was downscaled from 1 600 tons/hour to 600 tons/hour, and throughput reduced by approximately 36%. The mine treated *in situ* gravels from the Baken main channel and Koeskop mining area, with average grades and stones sizes in sections of the main channel exceeding expectations. One of three bulk sample trenches in the main channel was completed by the 2016 financial year-end.

b) Bloeddrif Mine

Production at Bloeddrif Mine for the 2018 financial year totalled 620 carats (2017: 2 641 carats; 2016: 3 538 carats). The average grade achieved increased to 2,60 carats/100m³ (2017:0,62 carats/100m³; 2016: 0,80 carats/100m³) due to the re-evaluation of ore accounting policies. The average stone size amounted to 1,52 carats per stone (2017: 2,07 carats per stone; 2016: 2,19 carats per stone).

31 March 2018 – All mining operations at Bloeddrif Mine ceased in May 2017 and the mine was placed under care and maintenance.

31 March 2017 – Gravel treated originated mainly from the B1 palaeochannel. All mining operations at Bloeddrif Mine ceased in May 2017 as a result of the grade of gravel dropping below the threshold for economic mining. Bloeddrif Mine employees were placed on paid leave whilst the Company undertook all the necessary statutory processes of engagement and consultation with relevant stakeholders regarding the way forward.

31 March 2016 – Gravel treated originated mainly from the B1 palaeochannel. More than 63% of the total volumes mined comprised lower grade suspended gravel which was mined to gain access to higher grade basal gravel. As a result the average grade decreased significantly and production fell by 42%. The Bloeddrif plant was closed in December 2015 and January 2016 for production improvements to the front-end and tailings dump, which increased its throughput capacity from 50 000 m³ per month to 60 000 m³ per month.

c) Reuning Mine

All mining operations at Reuning Mine ceased during the 2015 financial year and the mine was under care and maintenance for financial years ending 31 March 2016 to 31 March 2018.

BASIS OF PREPARATION OF CARVE-OUT HISTORICAL FINANCIAL INFORMATION

The carve-out historical financial information, has been prepared in accordance with Sections 8.1 to 8.13 of the JSE Listings Requirements. This basis of preparation describes how the financial information has been prepared.

IFRS do not provide for the preparation of carve-out historical financial information, and accordingly in preparing the carve-out historical financial information, certain accounting conventions commonly used in the preparation of carve-out historical financial information for inclusion in circulars, have been applied, which are discussed in more detail below.

In preparing the carve-out historical financial information of the LOR Operations, the recognition and measurement principles of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council have been applied, except for the material departures from these principles as has been noted below. The carve-out historical financial information has been further supplemented with certain relevant note disclosures that are considered necessary to understand these carve-out historical financial information of the LOR Operations.

Carve-out historical financial information

The LOR Operations do not constitute a separate legal entity. The carve-out historical financial information for the reporting periods (years ended 31 March 2018, 31 March 2017 and 31 March 2016) has been prepared by aggregating the historical financial information for the individual operations forming the LOR Operations.

The carve-out historical financial information has been prepared with the objective of presenting the results and net assets of the LOR Operations for the Reporting Periods. The LOR Operations have, for the periods presented, been under the control of the Company. Consequently, this carve-out historical financial information may not necessarily be indicative of the financial performance that would have been achieved, had the LOR Operations operated independently for the Reporting Periods. Furthermore, it may not be indicative of the financial results in future periods.

Share capital and retained income

Since the LOR Operations do not constitute a separate legal entity, it is not meaningful to disclose a historical analysis of the share capital and retained income balances. The total shareholders' equity of the LOR Operations as disclosed in the carve-out historical financial information represents the cumulative investment of Trans Hex in the LOR Operations.

Statement of changes in equity

The carve-out historical financial information does not include a statement of changes in equity, as the LOR Operations do not constitute a separate legal entity and it is not considered meaningful to disclose a historical analysis of share capital and retained earnings balances.

Statement of cash flows

The carve-out historical financial information does not include a statement of cash flows, as the LOR Operations did not operate its own bank accounts and presentation of cash flow results would therefore not provide meaningful information.

IAS 24 – Related Party Disclosures

The LOR Operations do not constitute a separate legal entity and there are therefore numerous transactions between the LOR Operations and other divisions within Trans Hex due to it not operating its own bank accounts and receiving centralised services. Disclosures for transactions between and balances owing to other divisions within Trans Hex as related parties have been made, as these are considered to be related parties for the purposes of the carve-out historical financial information.

Throughout the Reporting Periods, those persons having the authority and responsibility for planning, directing and controlling the activities of the LOR Operations were represented by Trans Hex's key management personnel as LOR Operations' activities were managed by the Group. Key management remuneration relating to Group management was allocated to the LOR Operations on the same basis as management, finance and general costs, in other words on the basis of the total cost relating to the LOR business over the total cost of the Group entities that benefit from these costs. In addition, key management remuneration relating to the mine manager for the LOR Operations was allocated in full.

Diamond revenue and inventories

Diamond stock is traceable to the specific mining area where the diamonds were retrieved. The revenue reflected in the carve-out historical financial information is thus specifically attributable to the Business Assets.

Cost of sales

The LOR business did not previously operate independently, with the result that it benefited from certain centralised functions provided by Trans Hex, throughout the Reporting Periods. The carve-out historical financial information for the LOR Operations includes costs directly related to services consumed by the LOR Operations.

Direct and indirect costs attributable to the production of inventory is disclosed as cost of sales. Costs disclosed within the carve-out historical financial information relates specifically to the LOR diamond inventories.

Income tax expense

Income tax is calculated at a legal entity level for THO. Ordinarily, the allocation of this income tax charge to the LOR Operations would not be meaningful as it is not necessarily representative of the tax charges that would have been reported had the LOR Operations operated as a separate legal entity. Since the tax losses from mining activities are ring-fenced to the mining area and the LOR Operations constitutes one mining area, a separate tax calculation is performed relating specifically to the LOR Operations and aggregated in the tax calculation for THO. The LOR Operations are however in an assessed loss position. A deferred tax asset was raised in 2016, but this was reversed in 2017. This is the only tax charge recognised in the income statement relating to the LOR Operations.

Deferred tax

Deferred tax is calculated at a THO legal entity level, applying tax rules and accounting principles that apply at that level which will not result in the same balances had the LOR Operations been a standalone entity. The total deferred tax balance at the statutory level has been allocated to the LOR Operations using the significant carrying values on the statement of financial position that attract deferred tax, including: property, plant and equipment; rehabilitation provisions; and other liabilities (including employee related liabilities).

These deferred tax liabilities may not be fully representative of the balances that would have been recognised had the LOR Operations been operating as a separate entity in the Reporting Periods.

Cash-generating unit

The separate mining areas within the LOR Operations are considered separate cash-generating units and impairment considerations were always performed at a level that makes it meaningful to present this information separately for the LOR Operations. Mining areas that have undergone impairments during the reporting periods include Baken and Bloeddrif.

Environmental rehabilitation obligations and related investments

Only the environmental rehabilitation obligations and the related funding included in the Trans Hex Rehabilitation Trust directly linked to the LOR Operations are reflected in the carve-out historical financial information for the Reporting Periods.

Accounts receivable and accounts payable

Accounts receivable and accounts payable items directly linked to the LOR Operations are reflected in the historical carve-out financial information for the Reporting Periods. Other items which relate to debtors and creditors that were managed by the centralised financing function, have been allocated to the LOR Operations based on either expenses or revenues as a percentage of the respective totals, depending on the more appropriate base of the two methods. This includes all categories of accounts receivable and payable, such as trade debtors, trade creditors, provisions, VAT due and payable, etc. that cannot be allocated directly to the LOR Operations, because the goods or services were shared.

Selling and administration costs, Exploration costs and Net foreign exchange gains / (losses)

The LOR business did not previously operate independently, with the result that it benefited from certain centralised functions provided by Trans Hex, throughout the Reporting Periods. These centralised costs have been categorised as follows and allocated to the LOR Operations on the following basis:

Selling and administration costs

- Marketing department – allocated on the basis of revenue from the LOR business over total revenue generated by entities within the Group that are managed by the marketing department.
- Human resources department – allocated on the basis of number of LOR employees over total employees.
- Management, finance and general costs – allocated on the basis of the total operating cost relating to the LOR business over the total operating cost of the Group entities that benefit from these costs.
- Legal department – Legal expenses for the Group were analysed and only items directly related to the LOR business are allocated to LOR Operations.

Exploration cost

- Geology department costs – allocated on the basis of total operating costs relating to the LOR business over total cost.

Net foreign exchange gains / (losses)

- Foreign exchange gains / (losses) on revenue transactions – allocated on the basis of revenue from the LOR business over total revenue generated by entities within the Group that is managed by the marketing department. This relates to forward exchange contracts entered into by the Group based on the US dollar value of total diamond sales for all Group operations.
- Also included in the *Other gains – net* line item is profit on sale of assets which can be specifically allocated to the LOR Operations.

SIGNIFICANT ACCOUNTING POLICIES

The carve-out historical financial information are prepared on the historical cost basis. Significant details on the LOR Operations' carve-out historical financial information accounting policies are consistent with those applied in the previous financial statements of Trans Hex, except as noted above in the "*Basis of preparation of carve-out historical financial information*" section.

FOREIGN CURRENCY TRANSLATION

Transactions and balances

Items included in the carve-out historical financial information are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The carve-out historical financial information is presented in South African rand, which is the LOR Operations' functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Inventories

Inventories, which include rough diamond and consumable stores, are stated at the lower of cost of production on the weighted average basis or estimated net realisable value. Cost price includes direct labour, other direct costs and related production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less marketing costs. Consumable stores are stated at the lower of cost on the weighted average basis or estimated replacement value. The consumable stores balance allocated to the LOR operations represents specific items of consumable stores that service the LOR operations.

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which a reliable estimate can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as financial expense.

Exploration costs

Exploration costs are expensed until such time as a favourable feasibility study is completed. Revenue earned from the discovery of diamonds during the exploration phase is included in revenue in the income statement. The estimated costs of production of diamonds sold, not exceeding related revenue, are credited against exploration expenditure and included in cost of goods sold.

Mine development costs

Mine development costs, relating to major programmes at existing mines, are capitalised. Development costs consist primarily of expenditure to expand the capacity of operating mines. Day-to-day mine development costs to maintain production are expensed as incurred. Following completion of a favourable feasibility study, initial development and pre-production costs relating to a new ore body are capitalised until the ore body is brought into commercial levels of production. At this time the costs are amortised as set out in the depreciation and amortisation policy.

Revenues from the discovery of diamonds during the mine development phase are included in revenue in the income statement. The estimated costs of production of diamonds sold, not exceeding related revenue, are credited against mine development costs and included in costs of goods sold.

Deferred stripping costs

Where stripping costs have been incurred in excess of the expected pit life average stripping ratio, these costs are deferred and charged to production when the exposed reserves are mined. Deferred stripping costs are included in mine development costs.

Financial instruments

The LOR Operations classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The classification of financial assets is determined at initial recognition and this designation is re-evaluated at every reporting date.

Financial instruments carried on the statement of financial position include loans and trade receivables, accounts payable and investments of the rehabilitation trust. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables and investments in the statement of financial position.

Loans and trade receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statements during the year in which it is identified.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective-interest method.

Trade payables are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

Property, plant and equipment

All property, mining plant and equipment are initially recorded at historical cost less depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the LOR Operations and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation and amortisation of alluvial mining properties, mine development costs and mine plant facilities are computed principally by the units-of-production method based on estimated quantities of proved and probable ore reserves. Proved and probable ore reserves reflect quantities of economically recoverable reserves, which can be recovered in the future from known mineral deposits. Such estimates are based on current and projected costs and prices. Earthmoving equipment is depreciated based on hours worked (10 000 – 45 000 hours) to their residual values over their estimated useful hours. Depreciation and amortisation of marine mining properties, mine development costs and mine plant facilities are computed over the estimated useful life of 20 years.

Other property, plant and equipment are depreciated principally on a straight-line basis to allocate their costs to their residual values over their estimated useful lives of one to 20 years. The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains / (losses) – net, in the income statement.

Impairment of non-financial assets

Long-lived assets, including development costs and deferred stripping costs, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds the recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. For the purposes of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

In assessing the fair value, estimated future net cash flows from each mine are calculated using estimates of production, future sales prices (considering historical and current prices, price trends and related factors), production and rehabilitation costs plus capital.

Management's estimates of future cash flows are subject to risks and uncertainties. Therefore, it is possible that changes could occur which may affect recoverability of the LOR Operations' investments in mineral properties and other assets.

Undeveloped properties and mineral rights, upon which the LOR Operations have not performed sufficient exploration work to determine whether significant mineralisation exists, are carried at original acquisition cost. If it is subsequently determined that significant mineralisation does not exist, the property will be written down to estimated net recoverable value at the time of such determination.

Rehabilitation costs

Rehabilitation costs and related accrued liabilities, based on the LOR Operations' assessment of current environmental and regulatory requirements are accrued to reflect the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The costs so provided are capitalised as part of mining assets and depreciated accordingly. Annual increases in the provision is split between finance costs relating to the change in the net present value of the provision, inflationary increases in the provision estimate and restoration costs relating to additional environmental disturbances that have occurred. Remediation liabilities, other than rehabilitation costs, which relate to liabilities arising from specific events, are expensed when they are identified, probable and may be reasonably estimated.

The LOR Operations' estimated future rehabilitation liability is funded by way of payments to the Trans Hex Rehabilitation Trust Fund. This fund was established with the approval of the South African Revenue Service. Interest earned on monies paid to the Rehabilitation Trust Fund is accrued on an annual basis. It is reasonably possible that the LOR Operations' estimate of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates.

Employee benefits

Provident funds

The employees of the LOR Operations belongs to provident funds, consisting of two defined contribution plans. A defined contribution plan is a plan under which fixed contributions are paid into a separate entity. There is no legal or constructive obligations for the LOR Operations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The provident funds are funded through monthly contributions and administered independently of the finances of the LOR Operations by financial institutions. The LOR Operations' contributions are charged against income in the year which they relate. Both funds are governed by the South African Pension Fund Act, No. 24 of 1956, as amended.

Leave accrual

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Other long-term employee benefits

The LOR Operations provides for long-service awards that accrue to employees. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards every second year, using the same accounting methodology as used for defined benefit plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised immediately in the income statement.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the LOR Operations' activities. Revenue is shown net of value-added taxation. Revenue is recognised as follows:

- Sale of goods – product sales are recognised when risk and reward passes at the shipment or delivery point.

CRITICAL ESTIMATES AND JUDGEMENTS

In preparing the carve-out historical financial information management has made certain estimates and assumptions and exercised its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the carve-out historical financial information are as follows:

a) Critical accounting estimates and assumptions

(i) Impairment of long-lived assets

The recoverable amount of each long-lived asset is determined as the higher of the asset's fair value less costs to sell and its value in use in accordance with the relevant accounting standard. When events or changes in circumstances impact on a particular asset, its carrying value is assessed by reference to its recoverable amount being the higher of fair value less costs to sell and value in use (being the net present value of expected future cash flows of the relevant long-lived asset). The best evidence of an asset's fair value is its value obtained from an active market or binding sale agreement. Where neither exists, fair value less costs to sell is based on the best information available to reflect the amount the LOR Operations could receive for the long-lived asset in an arm's length transaction. Critical judgements made in applying these estimates are noted in (b) below.

(ii) Restoration obligations

Provision is made for the anticipated costs of future restoration and rehabilitation of mining areas from which natural resources have been extracted in accordance with the accounting policy. Provision is made for the anticipated costs of future restoration and rehabilitation of mining sites to the extent that a legal or constructive obligation exists in accordance with the accounting policy. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value.

The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of rehabilitation provisions.

(iii) Ore reserves estimates

There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and deferred stripping calculations.

(b) Critical accounting judgements

(i) Impairment assessment of LOR CGUs

IAS 36 determines that the amount of the impairment loss should be allocated to the assets that comprise a CGU *pro rata* on the basis of the carrying amount of each asset in the unit. It also determines that in allocating the impairment loss an entity shall not reduce the carrying amount of an asset below the highest of its fair value less costs to sell or its value in use or zero.

In assessing the fair value less costs to sell of individual assets independent market-related valuations were obtained to assess the price at which the assets included in each CGU could be sold at in an orderly transaction between market participants. The impairment recognised in 2017 was calculated based on these values of individual assets being higher than the value in use of the loss-making operations.

For 2016, the estimates used for impairment reviews were based on value-in-use calculations based on detailed mine plans and operating plans.

Future cash flows are based on estimates of:

- the quantities of the Mineral Resources and Mineral Reserves for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices (assuming the current market prices will revert to the Group's assessment of the long-term average price, generally over a period of 3 – 5 years); and
- future cash costs of production, capital expenditure, close-down, restoration and environmental clean-up.

The cash flow forecasts were based on best estimates of expected future revenues and costs. These may include net cash flows expected to be realised from extraction, processing and sale of mineral resources that do not currently qualify for inclusion in proved or probable ore reserves. Such non-reserve material was included where there is a high degree of confidence in its economic extraction.

This expectation is usually based on preliminary drilling and sampling of areas of mineralisation that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine.

Based on this assessment, management concluded an impairment loss should be recognised during the 2016 year.

CARVE-OUT STATEMENT OF FINANCIAL POSITION

As at 31 March 2018, 31 March 2017 and 31 March 2016

	<i>Notes</i>	2018 R'000	2017 R'000	2016 R'000
ASSETS				
Non-current assets		91 264	99 113	158 510
Property, plant and equipment	1	33 064	44 796	75 390
Investments held by environmental trust	2	58 200	54 317	50 199
Deferred income tax asset	3	–	–	32 921
Current assets		9 234	46 704	88 478
Inventories	4	4 294	28 753	79 435
Trade and other receivables	5	4 940	17 951	9 043
Total assets		100 498	145 817	246 988
EQUITY				
Capital and reserves		(8 807)	(20 247)	85 908
Owner's loan		318 726	69 527	–
Accumulated (loss) / profit		(327 533)	(89 774)	85 908
LIABILITIES				
Non-current liabilities				
Provisions	6	99 958	95 149	89 497
Current liabilities				
Trade and other payables	7	9 347	70 915	71 583
Total equity and liabilities		100 498	145 817	246 988

CARVE-OUT STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018, 31 March 2017 and 31 March 2016

	<i>Notes</i>	2018 R'000	2017 R'000	2016 R'000
Revenue	8	205 874	449 115	587 608
Cost of goods sold		(426 108)	(531 370)	(601 900)
Gross loss		(220 234)	(82 255)	(14 292)
Royalties		(1 029)	(2 280)	(2 983)
Selling and administration costs		(24 755)	(35 843)	(53 112)
Mining loss		(246 018)	(120 378)	(70 387)
Exploration costs		(2 858)	(1 389)	(1 327)
Other gains / (losses) – net	9	10 796	7 105	(269)
Finance income	2	4 152	4 118	3 131
Finance costs	6	(3 831)	(4 800)	(4 153)
Impairment of assets	10	–	(27 417)	(55 096)
Loss before income tax		(237 759)	(142 761)	(128 101)
Income tax		–	(32 921)	36 714
Loss for the year		(237 759)	(175 682)	(91 387)
Other comprehensive income		–	–	–
Total comprehensive loss for the period		(237 759)	(175 682)	(91 387)

NOTES TO THE CARVE-OUT FINANCIAL INFORMATION

For the year ended 31 March 2018, 31 March 2017 and 31 March 2016

1. PROPERTY, PLANT AND EQUIPMENT

	Cost R'000	Accumulated Depreciation R'000	Carrying Value R'000
2018			
Land and buildings	64 131	(64 131)	–
Mining rights	313	(313)	–
Mine development costs	–	–	–
Mining plant and equipment	1 169 197	(1 136 133)	33 064
	1 233 641	(1 200 577)	33 064
2017			
Land and buildings	64 272	(64 272)	–
Mining rights	313	(313)	–
Mine development costs	124 376	(124 376)	–
Mining plant and equipment	1 236 251	(1 191 455)	44 796
	1 425 212	(1 380 416)	44 796
2016			
Land and buildings	64 047	(59 439)	4 608
Mining rights	313	(313)	–
Mine development costs	124 376	(124 376)	–
Mining plant and equipment	1 199 013	(1 128 231)	70 782
	1 387 749	(1 312 359)	75 390

Reconciliation of carrying value at the beginning and end of the year

	Land and buildings R'000	Mining plant and equipment R'000	Total R'000
2018			
Additions	–	4 468	4 468
Disposals	–	(5 340)	(5 340)
Depreciation	–	(10 860)	(10 860)
Movement for the year	–	(11 732)	(11 732)
2017			
Additions	41	37 421	37 462
Impairment	–	(27 417)	(27 417)
Depreciation	(4 649)	(35 990)	(40 639)
Movement for the year	(4 608)	(25 986)	(30 594)
2016			
Additions	–	54 430	54 430
Impairment	–	(55 096)	(55 096)
Depreciation	(1 854)	(62 658)	(64 512)
Transfers	–	(1 276)	(1 276)
Movement for the year	(1 854)	(64 600)	(66 454)

2. INVESTMENTS HELD BY ENVIRONMENTAL TRUST

	2018 R'000	2017 R'000	2016 R'000
Movement in total investments held by environmental trust:			
Opening balance	54 317	50 199	43 793
Growth in environmental trust / Finance income	4 152	4 118	3 131
Re-allocations	(269)	–	3 276
Closing balance	58 200	54 317	50 199

Trans Hex Rehabilitation Trust Fund

The rehabilitation trust fund in South Africa receives cash contributions to accumulate funds for the Group's rehabilitation liability relating to the eventual closure of Trans Hex's operations. Amounts presented above represent only those investments relating to the LOR Operations rehabilitation liability. Amounts are paid out from the trust fund following completion and once the South African Department of Mineral Resources approves the rehabilitation work. The contributions to the fund are placed with investment banks that are responsible for making approved investments in equity, money market instruments and call deposits. At year-end investments held by the trust consisted of call deposits. The trust fund is to be used according to the terms of the trust deed and the assets are not available for the general purpose of the LOR Operations. The LOR Operations are not exposed to any risks relating to the trust.

3. DEFERRED INCOME TAX

	2018 R'000	2017 R'000	2016 R'000
At beginning of year	–	32 921	(3 793)
(Debited) / credited to income statement	–	(32 921)	36 714
	–	–	32 921
Comprised of:			
Capital allowances	(9 411)	(11 047)	(20 121)
Provisions	36 820	37 649	36 167
Assessed loss carried forward	112 918	46 905	16 875
	140 327	73 507	32 921
Deductible temporary differences for which no deferred tax asset is recognised.	(140 327)	(73 507)	–
	–	–	32 921

Tax losses and unredeemed capital at the end of the financial year available for utilisation against future taxable income are estimated at R135 million (2017: R76 million; 2016: R29 million). No deferred tax asset has been raised for these losses as future utilisation is uncertain.

4. INVENTORIES

Diamonds	1 050	25 429	71 468
Consumables	3 244	3 324	7 967
	4 294	28 753	79 435

Cost of inventories included in cost of goods sold amounts to R1,1 million (2017: R25,4 million; 2016: R71,5 million).

The carrying value of inventories carried at fair value less costs to sell amounted to R1,1 million (2017: R25,4 million; 2016: R8,5 million).

5. TRADE AND OTHER RECEIVABLES

	2018 R'000	2017 R'000	2016 R'000
State – other taxes	3 916	14 485	5 894
Staff loans	1 024	3 466	3 149
	4 940	17 951	9 043

6. PROVISIONS

Provision for long service awards

At beginning of year	10 728	9 876	9 887
Amounts charged to the income statement	(10 373)	852	(11)
At end of year	355	10 728	9 876

Provision for rehabilitation liabilities

At beginning of year	84 421	79 621	73 906
Change in costs credited	11 351	–	1 562
Rehabilitation provision – unwinding of discount	3 831	4 800	4 153
At end of year	99 603	84 421	79 621

Comprised of:

Decommissioning and dismantling	32 097	1 443	1 339
Environmental restoration	67 506	82 978	78 282
	99 603	84 421	79 621

A provision is recognised for the restoration and rehabilitation of current mining activities based on current environmental and regulatory requirements.

Key assumptions used:

Inflation rate 4,0% (2017: 6,1%; 2016: 5,2%)

Total provisions	99 958	95 149	89 497
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7. TRADE AND OTHER PAYABLES

Trade payables and accrued expenses	7 746	60 430	60 741
Contractor fees payable	1 260	–	–
Leave and bonuses payable to employees	341	10 485	10 842
	9 347	70 915	71 583

8. REVENUE

Revenue consisting of the net rand value of sales, and excluding investment income, amounts to:

Diamonds: Mining	205 874	449 115	587 608
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9. OTHER GAINS / (LOSSES) – NET

Other gains / (losses) consists mainly of the following principal categories:

Net foreign exchange profits / (losses)	1 048	7 105	(269)
Profit on sale of property, plant and equipment	9 748	–	–
	10 796	7 105	(269)

10. IMPAIRMENT OF ASSETS

During 2017, the recoverable amount of the mining areas, each considered a separate cash-generating unit ("CGU"), was calculated based on value in use calculations. The impairment loss was limited to the fair value less costs to sell of the individual assets comprising the CGU. For 2016 the recoverable values for each of these CGUs were derived from the value-in-use calculations performed, which was in excess of the fair value less costs to sell. Also refer to the critical accounting judgement disclosed on page 40 of this Circular.

In assessing the fair value less costs to sell of individual assets, independent market-related valuations were obtained to assess the price at which the assets included in each CGU could be sold at in an orderly transaction between market participants. The impairment recognised during the current year was calculated with reference to these valuations. The valuation inputs used were these market values and costs associated with the disposal of these assets. Market values obtained were specific to the assets of the entity and thus along with the costs of disposal are considered unobservable inputs. The fair value is thus classified as a level 3 fair value. The impairment charges and recoverable amounts relating to these CGUs are outlined below:

	Baken R'000	Bloeddrif R'000	Total R'000
2018			
No impairment was recognised during the 2018 financial year			
2017			
Carrying value pre-impairment	34 876	37 337	72 213
Recoverable amount	(30 232)	(14 564)	(44 796)
Impairment loss recognised	4 644	22 773	27 417
2016			
Carrying value pre-impairment	96 601	–	96 601
Recoverable amount	(41 505)	–	(41 505)
Impairment loss recognised	55 096	–	55 096

11. RELATED PARTY TRANSACTIONS

	2018 R'000	2017 R'000	2016 R'000
Sale of goods to fellow subsidiary	7 051	39 685	56 253
Sale of property, plant and equipment to fellow subsidiary	10 714	–	–
Receipts for services rendered to fellow subsidiary	7 031	5 660	432
Executive directors and key management compensation	1 921	2 036	2 148

12. EVENTS AFTER THE REPORTING PERIOD

On Tuesday, 17 April 2018, THO, a wholly owned subsidiary of Trans Hex, entered into an agreement with LOR Diamonds, in terms of which the LOR Operations will be sold. The acquisition is subject to various conditions precedent and the fulfilment of these conditions is expected by 4 September 2018.

ANNEXURE 5: INDEPENDENT REPORTING ACCOUNTANTS' AUDIT AND REVIEW REPORTS ON THE HISTORICAL FINANCIAL INFORMATION OF LOR OPERATIONS

*The definitions and interpretations commencing on page 4 of this Circular **do not** apply to this annexure.*

“Board of Directors
Trans Hex Group Limited
405 Voortrekker Road
Parow
7500

Dear Sirs

Independent reporting accountant’s audit report on carve-out historical financial information

Our opinion

Trans Hex Group Limited is issuing a circular to its shareholders (the “**Circular**”) regarding the proposed disposal of the Lower Orange River Operations (the “**LOR Operations**”) by Trans Hex Operations Proprietary Limited, a wholly owned subsidiary of Trans Hex Group Limited (the “**Proposed Transaction**”).

In our opinion, the carve-out historical financial information of the LOR Operations for the year ended 31 March 2018, as set out in Annexure 4 of the Circular, is prepared, in all material respects, in accordance with the basis of accounting described on page 34 of this Circular and the requirements of the JSE Limited Listings Requirements.

What we have audited

At your request and solely for the purpose of the Circular to be dated Friday, 3 August 2018, we have audited the LOR Operation’s carve-out historical financial information, which comprises:

- the carve-out statement of financial position as at 31 March 2018;
- the carve-out statement of comprehensive income for the year then ended; and
- the notes to the carve-out financial information, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Reporting accountant’s responsibilities for the audit of the carve-out historical financial information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the LOR Operations in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Emphasis of Matter: Carve-out Historical Financial Information and Basis of Accounting

Without modifying our opinion, we draw attention to the fact that, as described on page 35 of this Circular, the LOR Operations has not operated as a separate entity. This carve-out historical financial information is, therefore, not necessarily indicative of results that would have occurred if the LOR Operations had been a separate stand-alone entity during the year presented or of future results of the LOR Operations.

We also draw attention to page 34 of this Circular which describes the basis of accounting. The carve-out historical financial information is prepared by the directors of Trans Hex Operations Proprietary Limited for the purpose of Circular and may not be suitable for another purpose.

Our opinion is not modified in respect of these matters.

Other Matter – Prior period financial statements reviewed but not audited

The carve-out historical financial information of the LOR Operations as at 31 March 2017 and 31 March 2016 and for the years then ended was not audited by us but was subject to review. A review engagement is substantially less in scope than an audit. Our review report dated Monday, 30 July 2018 contained an unqualified conclusion on the carve-out historical financial information.

Responsibilities of the directors for the carve-out historical financial information

The directors of Trans Hex Group Limited are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that the LOR Operations complies with the JSE Limited Listings Requirements. The directors of Trans Hex Operations Proprietary Limited are responsible for the preparation of the carve-out historical financial information in accordance with the basis of accounting described on page 34 of this Circular and the requirements of the JSE Limited Listings Requirements and for determining that the basis of preparation is acceptable in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of carve-out historical financial information that is free from material misstatement, whether due to fraud or error.

In preparing the carve-out historical financial information, the directors of Trans Hex Operations Proprietary Limited are responsible for assessing the LOR Operations' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the LOR Operations or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibilities for the audit of the carve-out historical financial information

Our objectives are to obtain reasonable assurance about whether the carve-out historical financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue a reporting accountant's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this carve-out historical financial information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out historical financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LOR Operations' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of Trans Hex Operations Proprietary Limited.
- Conclude on the appropriateness of the directors of Trans Hex Operations Proprietary Limited's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the LOR Operations' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountant's report to the related disclosures in the carve-out historical financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our reporting accountant's report. However, future events or conditions may cause the LOR Operations to cease to continue as a going concern.

We communicate with the directors of Trans Hex Operations Proprietary Limited regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc.
Director: H Zeelie
Registered Auditor
Stellenbosch
30 July 2018"

“Board of Directors
Trans Hex Group Limited
405 Voortrekker Road
Parow
7500

Dear Sirs

Independent reporting accountant’s review report on carve-out historical financial information

Introduction

Trans Hex Group Limited is issuing a circular to its shareholders (the “**Circular**”) regarding the proposed disposal of the Lower Orange River Operations (the “**LOR Operations**”) by Trans Hex Operations Proprietary Limited, a wholly owned subsidiary of Trans Hex Group Limited (the “**Proposed Transaction**”).

At your request and for the purpose of the Circular to be dated Friday, 3 August 2018, we have reviewed the carve-out historical financial information of the LOR Operations as set out in Annexure 4 of the Circular, which comprises the carve-out statements of financial position as at 31 March 2017 and 31 March 2016, and the related statements of comprehensive income for the years then ended and the notes to the carve-out financial information, which include a summary of significant accounting policies, in compliance with the JSE Limited Listings Requirements.

Directors’ responsibility

The directors of Trans Hex Group Limited are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that the LOR Operations complies with the JSE Limited Listings Requirements. The directors of Trans Hex Operations Proprietary Limited are responsible for the preparation and presentation of the carve-out historical financial information in accordance with the basis of accounting described on page 34 of this Circular and the requirements of the JSE Limited Listings Requirements, for determining that the basis of preparation is acceptable in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of carve-out historical financial information that are free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibilities for the review of the carve-out historical financial information

Our responsibility is to express a conclusion on the carve-out historical financial information.

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410 which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the carve-out historical financial information, is not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the carve-out historical financial information of the LOR Operations for the years ended 31 March 2017 and 31 March 2016 is not prepared, in all material respects, in accordance with the basis of accounting described on page 34 of this Circular and the requirements of the JSE Limited Listings Requirements.

Emphasis of Matter: Carve-out Historical Financial Information and Basis of Accounting

Without qualifying our conclusion, we draw attention the fact that, as described on page 35 of this Circular, the LOR Operations has not operated as a separate entity. This carve-out historical financial information is, therefore, not necessarily indicative of results that would have occurred if the Operations had been a separate stand-alone entity during the years presented or of future results of the LOR Operations.

We also draw attention to page 34 of this Circular which describes the basis of accounting of the carve-out historical financial information. The carve-out historical financial information is prepared by the directors of Trans Hex Operations Proprietary Limited for the purpose of Circular and may not be suitable for another purpose.

Our opinion is not qualified in respect of these matters.

PricewaterhouseCoopers Inc.
Director: H Zeelie
Registered Auditor
Stellenbosch
30 July 2018"

ANNEXURE 6: EXECUTIVE SUMMARY OF THE COMPETENT PERSON'S REPORT

*The definitions and interpretations commencing on page 4 of this Circular **do not** apply to this annexure.*

The information contained in this annexure has been extracted from the detailed Competent Person's Report which is available on Trans Hex's website.

Ian Hestermann
Executive Director – Finance
Trans Hex Group Limited
Sidvale Street, Parow 7500
Cape Town, South Africa

Dear Ian,

Valuation of Trans Hex Lower Orange River Mineral Asset, South Africa

T1.0, T1.1, T1.2, T1.3, T1.4, T1.12, T1.13, T1.15

Trans Hex Group Limited (Trans Hex or the Company) requires Snowden Mining Industry Consultants (Pty) Ltd (Snowden) to furnish the board of directors of Trans Hex with a Competent Person's Report (CPR) and Mineral Asset Valuation (Valuation), in regard to the proposed selling of the Lower Orange River operation (LOR operations or Mineral Asset), for a total cash purchase consideration of approximately ZAR72 million (the Transaction).

The Transaction is classified as a Category 1 transaction in terms of the Johannesburg Stock Exchange (JSE) Limited Listings Requirements. Trans Hex has 100% interest in the LOR operations in Northern Cape Province, South Africa. The West Coast Resources (Pty) Limited (South Africa), Somiluana Mine (Angola) and other Trans Hex entities have been excluded from this Valuation.

The LOR operations comprise one alluvial diamond mining concession, and include the Baken, Bloeddrif and Reuning operations. These operations are situated in an area near Alexander Bay, on the border between South Africa and Namibia.

The Valuation has been prepared by Snowden in accordance with the South African Code for the Reporting of Mineral Asset Valuation, 2016 Edition, as amended December 2016 (SAMVAL Code) and Listings Requirements. The Competent Valuator (CV) is Mr VN Agnello. The Report date and Effective date is 18 July 2018; and the Valuation date is 31 March 2018.

A draft version of this report was provided to Trans Hex, along with a request to confirm that there are no material errors or omissions in the report and that the information in the report is factually accurate. Confirmation of those terms has been provided in writing and has been relied upon by Snowden.

This report is provided subject to the following assumptions and qualifications:

- Trans Hex has made available to Snowden all material information in their possession or known to them in relation to the technical, development, mining and financial aspects of the project areas and that they have not withheld any material information and that information is accurate and up to date in all material respects.
- All reports and other technical documents provided by Trans Hex correctly and accurately record the result of all geological and other technical activities and test work conducted to date in relation to the project areas and accurately record any advice from relevant technical experts.
- Trans Hex has good and valid title to all tenements or other land tenure required to explore, develop, mine and operate within the project areas in the manner proposed. Snowden has sighted a tenement list prepared by Trans Hex' Company Secretary that indicates that the tenements are in good standing
- All necessary governmental consents and approvals (including those regarding environmental issues) required to manage mineral production from the project areas have been obtained or will be forthcoming without any material delay and on terms which will not cause any material change to any mining, exploration or other activities proposed and which will not cause any material change to the costs of such activities.
- All of the information provided by Trans Hex pertaining to the project area or its history or future intentions, financial forecasting or the effect of relevant agreements is correct and accurate in all material respects.
- In assessing the LOR operations, Snowden has relied on the information provided by Trans Hex and has not undertaken independent audits of the data used to prepare the Diamond Resource estimates.
- This valuation contemplates the LOR operations only and Snowden is not qualified to nor does it value property, plant and equipment or financial instruments, although some value for such things may be implied in comparable transactions aspects of the Valuation and the overall Valuation.

In relation to the above qualifications, Snowden did not undertake any independent enquiries or audits to verify that the assumptions are correct and gives no representation that they are correct. Snowden has not carried out any type of audit of the records of Trans Hex to verify that all material documentation has been provided.

Snowden has however endeavoured, by making reasonable enquiry of Trans Hex, to ensure that all material information in the possession of Trans Hex has been fully disclosed to Snowden.

Snowden considers that the Technical Value of Trans Hex Project as at 31 March 2018 lies within a Valuation Range of between **ZAR68.2 million** and **ZAR96.4 million**, with a Preferred Value of **ZAR74.8 million** (Table 1.1).

Table 1.1: Summary of Technical Value of Trans Hex Project

Valuation approach	Value in ZAR million		
	Lower	Preferred value	Upper
Valuator's Concluding Opinion of Value (100%)	68.2	74.8	96.4

The Transaction value of ZAR72.0 million is within an acceptable value range, as estimated by Snowden above.

Yours faithfully,

Original signed

VN Agnello

BSc Geo (Hons), M.Eng. (Min. Econo.), MGSSA, MSAIMM, Pr.Sci.Nat.

Senior Consultant – Corporate Services

Snowden Mining Industry Consultants (Pty) Limited

Duties: Competent Valuator and collator

1. EXECUTIVE SUMMARY

1.1 Introduction and scope

T1.2, T1.3, T1.4, T1.13

Trans Hex Group Limited (Trans Hex or the Company) requires Snowden Mining Industry Consultants (Pty) Ltd (Snowden) to furnish the board of directors of Trans Hex with a Competent Person's Report (CPR) and Mineral Asset Valuation (Valuation), in regard to the proposed selling of the Lower Orange River operation (LOR operations or Mineral Asset), for a total cash purchase consideration of approximately ZAR72 million (the Transaction). The implementation of the Transaction is subject to and conditional on the fulfilment or waiver (as the case may be) of conditions precedent customary for a transaction of this nature.

The Transaction is classified as a Category 1 transaction in terms of the Johannesburg Stock Exchange (JSE) Limited Listings Requirements (Listings Requirements). Trans Hex has 100% interest in the LOR operations in Northern Cape Province, South Africa. The West Coast Resources (Pty) Limited (South Africa), Somiluana Mine (Angola) and other Trans Hex entities have been excluded from this Valuation.

The LOR operations comprise one alluvial diamond mining concession, and include the Baken, Bloeddrif and Reuning operations. These operations are situated in an area near Alexander Bay, on the border between South Africa and Namibia.

The Transaction includes (but is not limited to):

- the rights to prospect and explore for and/or mine precious stones and/or other minerals and/or metals held directly or indirectly by Trans Hex in the LOR Mining Right
- a series of large remnant alluvial diamond terraces comprising approximately 59 million cubic metres (Mm³) of Indicated Diamond Resource and 110 Mm³ of Inferred Diamond Resources
- the material plant, machinery, equipment and other movable assets owned and/or used by Trans Hex
- the remaining LOR employees in terms of Section 197 of the Labour Relations Act of 1995
- a rehabilitation liability which will be taken over by the proposed Vendor on the basis that the tailings and other heaps of unprocessed diamond bearing middlings / gravels may be reprocessed by the proposed Vendor to recover contained diamonds.

The Valuation has been prepared in accordance with the South African Code for the Reporting of Mineral Asset Valuation, 2016 Edition, as amended December 2016 (SAMVAL Code) and the Listings Requirements. The Competent Valuator (CV) is Mr VN Agnello.

Snowden has also fulfilled the role of collator and peer reviewer of the Diamond Resources and Reserves sections of this report. Relevant documentation and information was reviewed and verified for accuracy by Snowden and Trans Hex.

The Diamond Resource estimation for this Valuation has been prepared in accordance with the South African Code for the Reporting of Exploration Results, Diamond Resources and Diamond Reserves, 2016 Edition (SAMREC Code). Mr S Damons is the Competent Person (CP) for the Diamond Resources at LOR operations. No Diamond Reserve has been estimated for the Mineral Asset.

The compilation of this Valuation is based on technical and financial data gathering undertaken between 1 March 2018 and 18 July 2018. The Report date and Effective date is 18 July 2018; and the Valuation date is 31 March 2018.

The Diamond Resource description within this Valuation is a true reflection of the full Trans Hex Diamond Resource and Reserve Report, 31 March 2018 and associated documentation (Trans Hex, 2018a; Trans Hex, 2018b). The Valuation in Section 1.9 of the Executive Summary is a true reflection of the overall Valuation discussed in Section 10 of the full report.

The United States dollar (US\$) and South African Rand (ZAR) are the principal currencies used in this report.

Sections of the Valuation will be published on the Trans Hex website (<http://www.transhex.co.za/wp-content/uploads/2018/08/Valuation-of-LOR-Mineral-Asset-Independent-Expert-Report.pdf>) and/or a Trans Hex Circular.

'T' annotations in the Valuation headers reference Table 1 (Appendix A) of the South African Code for the SAMVAL Code and are cross-referenced in Appendix B (SAMVAL Code Checklist), e.g. T1.7 relates to Item 1.7 in the SAMVAL Code checklist.

1.2 Validation, legal reliance and disclaimers

Snowden has placed reliance on several third parties, including Trans Hex personnel that have completed work for each discipline – these parties are noted in Section 2.1 of the Valuation. Snowden discusses verification, validation and legal reliance, as well as warranties, limitations, declarations, consent and disclaimers in Section 2.1 and Section 2.3.

1.3 Identity and tenure

Snowden understands that Mining Rights for the Trans Hex mining operations are in good standing with the national authorities in South Africa (Appendix A). All surface rights and servitudes are in place at the various LOR operations. Snowden understands that there is no impediment to mining.

Snowden is not qualified to and does not comment on the legal standing of the Mining Rights. The documents in respect of the Mining Rights in Appendix A have been viewed and examined by the Trans Hex Legal and Stakeholder Relations Consultant. The DMR has not advised Trans Hex of a breach of or non-compliance with any term or condition of its Mining Rights granted under the MPRDA for South Africa.

1.4 Diamond Resources

A total Indicated Diamond Resource for the LOR operations (Table 1.1) and an Inferred Diamond Resource (Table 1.2) have been estimated. A full depletion was undertaken for the 31 March 2018 Diamond Resource statement.

Table 1.1: Total Indicated Diamond Resources, all LOR operations, as at 31 March 2018

Operation	Indicated Diamond Resource				
	Overburden volume (Mm ³)	Gravel volume (Mm ³)	Grade (ct/100 m ³)	Carats (Mct)	Value (US\$/ct)
South Africa					
LOR – Baken	48.32	21.55	1.26	0.27	810
LOR – Bloeddrif	34.71	31.07	0.53	0.16	1.058
LOR – Reuning	3.86	6.36	0.57	0.04	902
Totals	86.89	58.96	0.80	0.47	903

Source: Trans Hex, 2018b

Note: All grades reported as Run of Mine (RoM) grades, i.e. diluted at a bottom screen cut-off for Baken (2.0 mm), Reuning (3.35 mm) and Bloeddrif (4.0 mm); LOR – Lower Orange River, *Reuning and Richtersveld used interchangeably here.

Price Book date: 31 March 2018

Totals may not add up due to rounding; Diamond Resources inclusive of Diamond Reserves.

Table 1.2: Total Inferred Diamond Resources, all LOR operations, as at 31 March 2018

Operation	Inferred Diamond Resource				
	Overburden volume (Mm ³)	Gravel volume (Mm ³)	Grade (ct/100 m ³)	Carats (Mct)	Value (US\$/ct)
South Africa					
LOR – Baken	33.43	61.69	0.68	0.42	688
LOR – Bloeddrif	20.60	19.50	0.44	0.08	933
LOR – Reuning	20.75	28.69	0.51	0.15	894
Totals	74.78	109.89	0.59	0.65	754

Source: Trans Hex, 2018b

Note: All grades reported as Run of Mine (RoM) grades, i.e. diluted at a bottom screen cut-off for Baken (2.0 mm), Reuning (3.35 mm) and Bloeddrif (4.0 mm); LOR – Lower Orange River, *Reuning and Richtersveld used interchangeably here.

Price Book date: 31 March 2018

Totals may not add up due to rounding; Diamond Resources inclusive of Diamond Reserves.

1.5 Historic Diamond Reserves

No Diamond Reserve has been estimated for the LOR operations. A historic diamond reserve, as 30 June 2017 is shown for completeness (Table 1.3). The LOR operations went into care and maintenance (C&M) in October 2017, with no mining taking place since then.

Table 1.3: Historic diamond reserve for LOR operations, as at 30 June 2017

Operation	Probable Reserves				
	Overburden volume (Mm ³)	Gravel volume (Mm ³)	Grade (ct/ 100 m ³)	Carats (Mct)	Value (US\$/ct)
South Africa					
LOR – Baken	0.36	0.42	2.70	0.01	1.247
LOR – Bloeddrif	0.03	<0.01	3.00	<0.01	1.433
LOR – Reuning	–	–	–	–	–
Totals	0.39	0.42	2.71	0.01	1.250

Source: *Trans Hex, 2017b*

Note: All grades reported as Run of Mine (RoM) grades. i.e. diluted at a bottom screen cut-off for Baken (2.0 mm), Reuning (3.35 mm) and Bloeddrif (4.0 mm); Carats per stone were 1.26 for Baken Mine, 2.03 for Bloeddrif Mine; LOR – Lower Orange Rivers.

Price Book date: 31 March 2017

Totals may not add up due to rounding

1.6 Development and operations

Trans Hex mining operations comprise three alluvial diamond mining concessions, of which two are in the Northern Cape Province, South Africa – WCR operations and the LOR operations; and Somiluaana JV in Angola.

The Company is known for producing high quality diamonds for the South African market. Rough production is sold into the open market, to the South African State Diamond Trader, to Trans Hex's joint venture beneficiation Black Economic Empowered (BEE) polishing factory based in Johannesburg and to Sociedade de Comercializacao de Diamantes de Angola (Sodiam), the Angolan State-run marketing company. Trans Hex has experience in low cost mining and diamond recovery from alluvial diamond deposits and has applied this experience/philosophy to its current and planned diamond recovery operations in South Africa and Angola.

1.6.1 LOR operations

The LOR operations comprise the Baken Mine, Bloeddrif Mine and the Reuning Mine. All the mines have been placed under care and maintenance (C&M).

Baken Mine

Baken Mine is situated on the banks of the LOR, approximately 60 km east from Alexander Bay. This operation mines the Baken paleo-channel, an ancient riverbed containing alluvial diamonds washed downstream from kimberlite (diamond-bearing volcanic rock) pipes in the hinterland millions of years ago. The site also contains lower grade meso-terraces. Baken Mine is nearing end of life in its current form as remaining Diamond Reserves either lie too deep or are of too low a grade to mine profitably. Future operations will therefore be heavily dependent on the profitable mining of lower grade deposits. The operation had a staff count of 332; and the retrenchments have taken place. The Baken Mine has been placed under C&M, with Section 189 notices issued and closure undertaken in October 2017.

Including a provision for retrenchment costs, Baken Mine incurred a loss of ZAR184.4 million for the year ended 31 March 2018 and a loss of ZAR35.8 million for the year ended 31 March 2017.

Reuning Mine

Reuning Mine is situated in the vicinity of Sendelingsdrift on the banks of the LOR in the Richtersveld Transfrontier National Park and operations include the Nxodap plant and mining area, the Suidhek plant and the Jakkalsberg mining area. All mining operations at Reuning Mine ceased during FY2015. All staff were relocated within the surrounding operations and the Reuning Mine is currently under C&M.

Bloeddrif Mine

Bloeddrif Mine is situated in the Richtersveld region along the banks of the LOR, approximately 30 km upstream from Baken Mine. Although Bloeddrif Mine traditionally produces fewer diamonds than Baken Mine, these stones are generally larger and attract higher prices per carat. The Bloeddrif Mine staff complement was retrenched in May 2017 after the mine was placed under C&M in Q1 2017.

Bloeddrif Mine incurred a loss of ZAR26.7 million (including retrenchment costs) for the year ended 31 March 2018 and a loss of ZAR55.0 million for the year ended 31 March 2017.

1.7 Historical mining at LOR operations

Open pit mining methods have been used at the LOR operations, with material extracted from numerous small, localised alluvial gravel resources. Mining was carried out with open pit truck and shovel operations from the diamondiferous gravels after removal of overburden. The general method employed was strip mining. The paleo-channels and terraces which host the diamondiferous gravels vary in width and overburden depth and, as such are subject to varying degrees of continuity for active mining faces. Mining also encompasses rehandling and reprocessing of remnant tailings and stockpiled material. Waste rock generated from the mining activities is placed on individual waste rock dumps at the mined areas or at centralised waste rock dumps. Modular process plants are located centrally.

1.8 Historical processing at LOR operations

Baken and Bloeddrif are fixed process plant operations.

LOR processing operations comprise two washing and concentration plants; the Baken Central Plant (BCP), coupled to the Baken Central Recovery Plant (BCRP) at Baken Mine and a single plant treating fresh gravel and tailings at Bloeddrif.

The BCP was commissioned in 2001 and has a nominal 1 350 tonnes per hour (tph) capacity, also producing a final dense media separation (DMS) concentrate. Screened fractions report to the DMS plants, from where DMS sinks report to the BCRP, split into three size fractions before being fed through separate X-Ray sorting machines, with the X-Ray concentrates gravitating to a secure hand-sorting facility.

1.9 Market outlook

In terms of current projects, the world's biggest diamond companies are believed to have sufficient proven reserves to enable them to maintain the current level of diamond production for at least 10 years, without any deterioration in quality of product. Primary production will remain centred in Russia, Botswana and Canada. However, growth in rough diamond carat production is expected to slow in the medium and longer term. Many of the world's largest diamond mines are aging and production is expected to decrease as open pit mines are extended to increasing depths or move to underground operations. In the absence of large new discoveries, planned new production is expected to mainly replace depleted production.

The 2016 Bain Diamond Market analysis (Bain) considers that one of the major short-term challenges in the diamond industry is unsustainable profitability erosion in the mid-market sector. Deteriorating profitability in the segment is symptomatic of its persistent problems and may eventually force structural changes. In light of the recent situation, cutters and polishers will be forced to improve operational efficiency, optimise business processes and redefine their overall business models. This may eventually result in the exit of the least efficient players and overall consolidation of the sector.

Slowdown of consumer demand highlights a long-standing challenge for the industry to sustain long-term demand for diamonds. The industry may face changing consumer attitudes in Europe, Japan and the US, which account for about 50% of diamond jewellery sales. Bain studies show that luxury items are forfeiting their aspirational and status appeal in developed markets. In this respect little is known of the diamond consumption patterns of a new generation of consumers, the 'Millenials'.

In the long term, Chinese market growth is expected to slow down because of weaker economic growth and slowing expansion of the middle and upper classes. Increasing urbanization, middle-class expansion and engagement ring penetration are expected to boost diamond demand in India by 8% to 9% per year in mid-term and then decelerate to 4% to 5% average annual growth.

It has been reported that there may be a short term increase in the global supply of rough diamonds, production is likely to decline on average by 1% to 2% per year from 2018 to 2030 because of the aging and depletion of existing mines and relatively little new supply coming online.

A potential additional challenge for the industry is the penetration of undisclosed synthetics that can undermine consumer confidence in the entire diamond category, particularly for smaller stones. Industry participants are actively addressing these concerns by tightening certification, legal and regulatory frameworks; and adopting synthetic-diamond detection technologies.

The full market assessment is reported in Section 9 of this report.

1.10 Valuation

The Mineral Asset or LOR operations have been discussed in Section 5. The Transaction has been discussed in Section 1.1 and Section 10.

The scope of work for this valuation comprises an independent Valuation of the LOR operations. Snowden has fulfilled the role of Valuator, report collator and peer reviewer, and places reliance on several third parties that have undertaken work for different parts of this report – these parties are noted in Section 2.1 of the Valuation. Trans Hex commissioned Snowden to undertake the Valuation and collation in May 2018. Mr VN Agnello (Snowden) is responsible for the Valuation of the Mineral Asset.

The compilation of this Valuation is based on technical and financial data gathering undertaken between 1 March 2018 and 18 July 2018. The Report date and Effective date is 18 July 2018; and the Valuation date is 31 March 2018.

1.10.1 Previous valuations

T1.11

Snowden Fair and Reasonable valuation, September 2016 (Snowden FAR, 2016)

For the Cream Magenta, RAC and Metcap transaction, August 2016, Snowden undertook a fair and reasonable valuation of the Trans Hex Group Mineral Asset, with valuation date of 31 July 2016. The Concluding Opinion of Value for the combined Mineral Asset, using the attributable ownership shareholding, and including the Surf Zone deposit valuation, with a preferred overall value of ZAR691 million and an applied discount rate of 16.0% (real) for the mineral assets. This value includes financing and shareholder dividends, but excludes the NAV per share, estimated by Trans Hex. A consensus forecast exchange rate of ZAR15.10:US\$1 was used in the valuation.

Snowden Fair and Reasonable valuation, October 2017 (Snowden FAR, 2017)

A Snowden FAR (2017) was undertaken for the proposed acquisition by Trans Hex of a further 27.2% interest in WCR from RAC, for a total purchase consideration of approximately ZAR39.1 million, to be settled through the issue by Trans Hex of 9 436 838 new Trans Hex ordinary shares. The Snowden FAR (2017) had a valuation date of 30 June 2017. The Concluding Opinion of Value for the combined Mineral Asset, using the attributable ownership shareholding, had a preferred overall value of ZAR69 million and an applied discount rate of 19.2% (real) for the mineral assets. This value includes financing and shareholder dividends, but excludes the Surf Zone mineralisation and NAV per share, estimated by Trans Hex. A consensus forecast exchange rate of ZAR13.50:US\$1 was used; and Trans Hex attributable total Indicated Diamond Resource of 2.16 Mct and Inferred Diamond Resource of 3.31 Mct were applied.

The LOR operations had the following salient features:

- Planned annual LOR opex of ZAR65 million (comprising ZAR58 million overheads and ZAR7 million processing), and an annual unit opex of ZAR12,538/ m³, over the period FY2019 to FY2026
- Planned LOM capex of ZAR16 million, to be expended in FY2018 and FY2019
- A rehabilitation liability quantum of ZAR100.1 million was used in the valuation
- A historic pre-tax NPV of ZAR-210 million (100% basis), with real discount rate of 18,1%.
- The Consolidated TSX cash flows (with Somiluana Mine and WCR attributable shareholding), after loan repayments and dividend issuance was ZAR69 million.

1.10.2 Identifiable Component Asset (ICA) values

T1.16

The following valuations have been reported to Snowden in Table 0.5, all exclude VAT. The values are shown below for comparative purposes.

Table 1.4: Identifiable Component Asset values of Trans Hex and LOR operations

Component	Value (ZAR M)	Comment
LOR, 2018	58.8	Schedule of assets valuation, undertaken by an Independent Third Party (2018). The company estimated the value of all EME and associated mobile equipment/ infrastructure (212 lots) between ZAR53,2 million and ZAR64,5 million, with a preferred value of ZAR58,8 million.
LOR (April 2017)	1 599.3	Total insurance value as at 1 April 2017. LOR buildings (ZAR544 M), fixed plant and equipment (ZAR611 M) and earth moving equipment or EME (ZAR355 M) and other (ZAR89 M). Includes head office (buildings and content and consumables/ content), estimated at ZAR40 M. Snowden understands that the buildings and surface rights cannot be sold, as these are part of the Richtersveld Trust.
LOR (September 2016)	35.9	Independent, internal valuation undertaken by a registered property valuator in September 2016 of the LOR and Head office land and buildings. Head office was valued at ZAR20 million and other LOR assets at ZAR16 million.
LOR (July 2016)	79.8	Total book value as at 30 June 2016. LOR buildings (ZAR3 M), fixed plant and equipment (ZAR9 M) and EME (ZAR63 M) and other (ZAR4 M). Excludes head office (buildings and content), estimated at ZAR53 M.

Source: Modified from Trans Hex, 2018a

Note: LOR – Lower Orange River

Trans Hex's internal valuation for the LOR plant infrastructure has shown that the salvage value is equivalent to the cost of breaking down the plant and transportation costs to a smelter in Cape Town. Therefore, no value has been ascribed to the plant scrapping.

Snowden understands that the buildings and surface rights cannot be sold, as these are part of the Richtersveld Trust. Snowden concludes that the LOR (2018) EME valuation (ZAR58.8 million) is also the overall ICA value for the LOR operations.

1.10.3 Valuation approach and methods

The SAMVAL Code requires that a Competent Valuator must apply at least two valuation approaches in determining a mineral asset valuation. The three generally accepted mineral asset valuation approaches are:

- Cash Flow or DCF Approach
- Market Approach
- Cost Approach.

1.10.4 Cost approach

Snowden has analysed past exploration expenditure and applied prospectivity enhancement factors to estimate the current technical value.

In the case of an Advanced Exploration Property, the valuation is dependent on the informed, professional opinion of the valuator. Where useful previous exploration and future committed expenditure is known or can be reasonably estimated, the multiples of exploration expenditure (MEE) method is considered to represent one of the more appropriate valuation techniques.

This method involves assigning a premium or discount to the relevant effective expenditure base, represented by past and future committed expenditure, through application of a prospectivity enhancement multiplier (PEM). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that the value of a 'grass roots' project increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value.

The MEE method relies on the assumption that well directed exploration adds value to a property. This is not always the case and exploration can also downgrade a project; e.g. a drilling programme that confirms areas of no mineralisation. The PEM, which is applied to the effective expenditure relating to exploration, therefore commonly ranges from 0.5 to 3.0 (PEM summary shown in Table 10.4).

The considered exploration spend is based on previous in-ground expenditure and committed future expenditure which is adjusted using the consumer price index (CPI), up to and including 2018.

Trans Hex has reported that historical exploration expenditure for the LOR totals approximately ZAR737 million (converted to today's money), as at 31 March 2018. Snowden has applied a 50% discount to the productive exploration factor, as the majority of the deposit has been mined out. Snowden therefore considers the MEE base calculation to be ZAR369 million. Exploration programmes included OPH drilling, RC drilling, trench sampling, stockpile sampling and mega trenches (detailed summary in Table 10.5).

Table 0.6 shows a summary of the factors applied and technical value for LOR, based on the MEE methodology. A PEM of 2.5 and 3 was chosen, as a Diamond Resource has been estimated at an Inferred level, with no Scoping Study completed.

Table 1.5: Multiples of exploration expenditure valuation

Tenement	Total exploration cost (ZAR M)	Productive exploration factor	Expenditure base (ZAR M)	PEM		Implied value (ZAR M)	
				Low	High	Low	High
LOR operations (100%)	737	50%	369	2.5	3	921	1 106

Note: LOR – Lower Orange River; PEM – Prospectivity enhancement multiplier

By applying the MEE method, Snowden estimates the implied value for 100 percent interest in the LOR operations is within a range of between ZAR921 million and ZAR1 106 million.

1.10.5 Market approach valuation

The second valuation method for Trans Hex operations is based on the Market Approach using comparable transactions. The Market Approach relies on the principle of “willing buyer, willing seller” and assumes that the amount received from the sale of the asset is determined on an arm's length basis. The methodology follows comparison of the asset under consideration to relatively recent asset transactions with similar characteristics. This approach is generally based upon a monetary value per unit of Diamond Resource, or where available, Diamond Reserve.

As no two mineral assets are the same, the CV must be cognisant of the quality of the assets in the comparable transactions, with specific reference to:

- grade of the Diamond Resource
- metallurgical qualities of the Diamond Resource
- proximity to infrastructure such as an existing process plant, roads, power, water, skilled workforce, equipment, etcetera.
- likely operating and capital costs
- amount of pre-strip (for open pits) or development (for underground mines) necessary
- likely ore to waste ratio
- overall confidence in the Diamond Resource.

The relative infrequency of alluvial diamond transactions, specifically relating to operating mines has been observed in the Snowden transaction database for the period January 2010 to July 2017. Snowden has used the following considerations:

- Effective transaction value greater than ZAR30 M in Q1 2018 money terms
- Alluvial diamond mine on the coast of Southern Africa, with Diamond Resource over 0.5 Mct diamond content.

No comparable, historic transactions were noted in 150 transactions reviewed (excluding the BVI and CM, RAC & Metcap transactions).

The following transactions, relating to Trans Hex, are noted over the same database period of review. A detailed summary of each primary transaction is discussed in Section 10.7.2. The Diamond Resource, as reported at 31 March 2016 was used for imputed value calculations relating to the BVI (May 2016) and CM, RAC & Metcap transaction (August 2016), as well as the Snowden Fair and Reasonable valuation (September 2016). A total attributable Indicated Diamond Resource of 1.98 million carats (Mct) and Inferred Diamond Resource of 3.28 Mct was estimated for the period 31 March 2016 to 30 September 2016.

- Namaqualand Mines transaction, August 2012 (NM transaction)
- Business Venture Investments transaction, May 2016 (BVI transaction)
- Cream Magenta, RAC and Metcap transaction, August 2016 (CM, RAC & Metcap transaction)
- Snowden Fair and Reasonable valuation, September 2016 (Snowden FAR)
- Snowden Fair and Reasonable valuation, October 2017 (Snowden FAR, 2017).

Market approach valuation summary

The implied value for Trans Hex operations is between ZAR25/ct and ZAR131/ct for all Trans Hex Diamond Resources (excluding the Marine concessions); and ZAR32/ct and ZAR350/ct for all Trans Hex Diamond Resources in the Indicated Diamond Resource category (Table 0.7). These values include the completed CM, RAC & Metcap transaction, Snowden FAR (2016) and Snowden (FAR (2017) valuations. The NM transaction implied ZAR/ct values are based on 100% of the WCR Resources. Snowden cautions that the NM transaction would have included property, plant and equipment and a goodwill component.

No diamond value normalisation has been undertaken, as the diamond values within each operational area and classified resource groups differ materially.

Table 1.6: Transactional implied value ranges for Trans Hex operations

Component	Unit	Total Diamond Resource	Transaction value	Implied value, Total Diamond Resource	Implied value, Indicated Diamond Resource
Trans Hex Group Diamond Resource (with 40% WCR interest)*					
Attributable Indicated Diamond Resource, 2016	Mct	1.98	–	–	–
Attributable Inferred Diamond Resource, 2016	Mct	3.28	–	–	–
Attributable Total Diamond Resource, 2016	Mct	5.26	–	–	–
Reported transaction value					
NM	ZAR M	–	166.0	–	–
BVI	ZAR M	–	81.8	–	–
CM, RAC & Metcap**	ZAR M	–	416.5	–	–
Snowden FAR, 2016**	ZAR M	–	691.0	–	–
Snowden FAR, 2017	ZAR M	–	69.0	–	–
Implied unit value, per transaction					
NM	ZAR/ct	–	–	25.1	100.0
BVI	ZAR/ct	–	–	76.6	203.3
CM, RAC & Metcap**	ZAR/ct	–	–	79.2	210.1
Snowden FAR, 2016**	ZAR/ct	–	–	131.3	348.6
Snowden FAR, 2017	ZAR/ct	–	–	12.6	31.9

Note:

* On 1 February 2018 Trans Hex interest increased to 67.2% in WCR

** Implied transaction value; offer partially completed, entry added for comparative purposes

Market Approach Valuation summary

The LOR Diamond Resource is approximately 1.12 Mct, and the Indicated Diamond Resource is 0.47 Mct. The Snowden FAR (2017) transaction implied unit value (ZAR31.9/ct) and NM implied unit value (ZAR100/ct) for the Indicated Diamond Resource are considered to be within an acceptable valuation range for the Mineral Asset (Table 0.8). The implied value translates into an upper threshold of ZAR31.9 million and a lower threshold of ZAR15.0 million.

Table 1.7: Implied and preferred value ranges for LOR operations

Project	Indicated Diamond Resource (Mct)	Assigned value (ZAR/ct)		Implied overall value (ZAR M)	
		Low	High	Low	High
LOR (100%)	0.47	31.9	100	15.0	31.9

Note: LOR – Lower Orange River

1.10.6 Valuation results

T1.14

Using the Highest and Best Use (HABU) methodology, Snowden considers that the Mineral Asset may be valued in terms of the reported overall ICA value, plus a strategic value using a discounted Market Comparable value. The Cost Approach does not capture the value of the current LOR operations – all LOR operations are defunct at present, with the bulk of diamondiferous gravels having been mined out.

The Market Approach results in a lower and upper Mineral Asset value of ZAR15.0 million and ZAR31.9 million respectively. A 50% discounting has been applied to NM transaction unit value, as the LOR environmental liability is material, with the majority of LOR operations on C&M for more than six months. Furthermore, the NM and Snowden FAR (2017) transactions include cash flow positive WCR operation(s), with significant Diamond Reserves. The preferred Market Approach value of ZAR15.8 million is based on the inherent diamond qualities and size of Diamond Resource. The Cost Approach, Market Approach and ICA values are shown in Table 0.9.

The ICA valuation, undertaken by an Independent Third Party (2018) estimated the value of all EME and associated mobile equipment/ infrastructure (212 lots) between ZAR53.2 million and ZAR64.5 million, with a preferred value of ZAR58.8 million. Snowden understands that the buildings and surface rights cannot be sold, as these are part of the Richtersveld Trust. Trans Hex's internal valuation for the LOR plant infrastructure has shown that the salvage value is equivalent to the cost of breaking down the plant and transportation costs to a smelter in Cape Town. Therefore, no value has been ascribed to the plant scrapping.

Snowden considers the overall value for the LOR operations to be within a range of ZAR68.2 million and ZAR96.4 million, with a preferred value of ZAR74.8 million.

Table 1.8: Range of values for LOR operations

Valuation approach	Value in ZAR million		
	Lower	Preferred value	Upper
Overall ICA value	53.2	58.8	64.5
Cost Approach	921	–	1 106
Market Approach	15.0	16.0	31.9
Overall ICA value plus Market Approach	68.2	74.8	96.4
Valuator's Concluding Opinion of Value (100%)	68.2	74.8	96.4

Note: Rounding applied to ZAR values

1.10.7 Valuation summary and conclusions

T1.15

Trans Hex requested Snowden to furnish the board of directors of Trans Hex with a CPR and Valuation, in regard to the proposed selling of the LOR operations, for a total cash purchase consideration of approximately ZAR72 million (the Transaction). The implementation of the Transaction is subject to and conditional on the fulfilment or waiver (as the case may be) of conditions precedent customary for a transaction of this nature.

The Transaction is classified as a Category 1 transaction in terms of the Listings Requirements. Trans Hex has 100% interest in the LOR operations in Northern Cape, South Africa. The West Coast Resources (Pty) Limited (South Africa), Somilua Mine (Angola) and other Trans Hex entities have been excluded from this Valuation.

The Valuation has been prepared by Snowden in accordance with the SAMVAL Code and Listings Requirements. The Diamond Resource estimation for this Valuation has been prepared in accordance with SAMREC Code. No Diamond Reserve has been estimated for the Mineral Asset.

Using the HABU methodology, Snowden considers that the Mineral Asset may be valued in terms of the reported overall ICA value, plus a strategic value using a discounted Market Comparable value. The Cost Approach does not capture the value of the current LOR operations – all LOR operations are defunct at present, with the bulk of diamondiferous gravels having been mined out.

The Market Approach results in a lower and upper Mineral Asset value of ZAR15.0 million and ZAR31.9 million respectively. A 50% discounting has been applied to the NM transaction unit value, as the LOR environmental liability is material, with the majority of LOR operations on C&M for more than six months. Furthermore, the NM and Snowden FAR (2017) transactions include cash flow positive WCR operation(s), with significant Diamond Reserves. The Cost Approach, Market Approach and ICA values are shown in Table 0.9.

The ICA valuation, undertaken by an Independent Third Party (2018) estimated the value of all EME and associated mobile equipment/ infrastructure (212 lots) between ZAR53.2 million and ZAR64.5 million, with a preferred value of ZAR58.8 million. Snowden understands that the buildings and surface rights cannot be sold, as these are part of the Richtersveld Trust.

The Competent Valuator's Concluding Opinion of Value is presented in Table 0.10 for the Mineral Asset.

Table 1.9: Concluding Opinion of Value of the Mineral Asset

Valuation approach	Value in ZAR million		
	Lower	Preferred value	Upper
Valuator's Concluding Opinion of Value (100%)	68.2	74.8	96.4

The Transaction value of ZAR72.0 million is within an acceptable value range, as estimated by Snowden above.

Key risks associated with the Mineral Asset are discussed in Section 7.1.7 and 11.

1.10.8 Forward looking statements

Certain sections of this Valuation, other than statements of historical fact, contain forward-looking statements regarding the Mineral Asset held by Trans Hex. Although Snowden considers the expectations reflected in such forward-looking statements to be reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results may differ materially from those set out in the forward-looking statements.

The CP and CV are not obliged to update or release any revisions to these forward-looking statements to reflect events or circumstances after the dates of this report or to reflect the occurrence of unanticipated events.

1.10.9 Independence

T1.0

At the date of this Valuation of 31 March 2018, Snowden had no association with Trans Hex, or its individual employees, or any interest in the securities of Trans Hex or its Mineral Asset which could be regarded as affecting the ability to give an independent unbiased valuation. Snowden will be paid a fee for its study based on a standard schedule of rates for professional services, plus any expenses incurred. The fee is not contingent on the results of the study or valuation.

1.10.10 Historic verification

T1.17

Snowden has undertaken a historic verification of actual versus budgeted values relating to production, operating expenditure, capital expenditure and equivalent opex unit costs for the period FY2015 to FY2017 (Section 10.10). Snowden has found that opex, capex and unit cost actuals are generally speaking, in alignment or below budget; indicating that a prudent, cost thrifting methodology has been followed at the Trans Hex operations over the period FY2015 to FY2017. However, actual mining and process efficiencies could not be attained for any of the operations (versus budget); as a result of the lower throughput.



**TRANS HEX
GROUP**

TRANS HEX GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1963/007579/06)

Share code: TSX ISIN: ZAE000018552

("Trans Hex" or the "Company")

NOTICE OF GENERAL MEETING

The definitions and interpretations commencing on page 4 of the Circular to which this notice is incorporated, apply to this notice, unless a word or a term is otherwise defined herein.

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting will be held at the Company's registered offices, 405 Voortrekker Road, Parow, Cape Town, on Monday, 3 September 2018, at 09:00 for purposes of considering, and if deemed fit, passing, with or without modification, the resolution set out below.

ORDINARY RESOLUTION 1 – APPROVAL OF THE TRANSACTION IN TERMS OF PARAGRAPH 9.20 OF THE LISTINGS REQUIREMENTS

"Resolved that the Transaction, in terms of paragraph 9.20 of the Listings Requirements, and subject to the terms and conditions set out in the Circular, be and is hereby approved."

Voting in respect of this Ordinary Resolution

The percentage of voting rights required for this Ordinary Resolution to be adopted is a simple majority of votes of Shareholders, being more than 50% of the votes of all Shareholders present or represented by proxy at the General Meeting.

Reason and effect of this Ordinary Resolution

The reason for this Ordinary Resolution is for Shareholders to approve the Transaction in terms of paragraph 9.20 of the Listings Requirements. The effect of this Ordinary Resolution is that Trans Hex, through THO, will dispose of the LOR Operations, to LOR Diamonds. Further details pertaining to the Transaction are contained in paragraph 4 of the Circular.

RECORD DATE

The record date, in terms of Section 59 of the Companies Act, for Trans Hex Shareholders to be recorded in the Register in order to:

- receive the Notice of General Meeting is Friday, 27 July 2018; and
- attend, speak and vote at the General Meeting is Friday, 24 August 2018 and, accordingly, the last day to trade in order to be eligible to vote at the General Meeting is Tuesday, 21 August 2018.

DEMATERIALIZED SHAREHOLDERS WITHOUT "OWN NAME" REGISTRATION

Dematerialised Shareholders without "own name" registration who wish to attend the General Meeting in person should request their Broker or CSDP to provide them with the necessary letter of representation in terms of their custody agreement with their Broker or CSDP. Dematerialised Shareholders without "own name" registration who do not wish to attend but wish to vote at the General Meeting must advise their Broker or CSDP of their voting instructions. Dematerialised Shareholders without "own name" registration should contact their Broker or CSDP with regard to the cut-off time for their voting instructions.

CERTIFICATED SHAREHOLDERS OR DEMATERIALISED SHAREHOLDERS WITH “OWN NAME” REGISTRATION

Certificated Shareholders or a Dematerialised Shareholders with “*own name*” registration, may attend the General Meeting in person and may vote at the General Meeting. Alternatively, such Shareholders may appoint a proxy to represent them at the General Meeting by completing the Form of Proxy.

PROXIES

A Trans Hex Shareholder entitled to attend, speak and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his or her stead. A proxy need not be a Shareholder of the Company. For the convenience of Certificated Shareholders and Dematerialised Shareholder's with “*own name*” registration, the Form of Proxy is attached.

Duly completed Forms of Proxy must be lodged with the Transfer Secretaries not less than 48 hours before the commencement of the General Meeting or be handed to the chairman of the General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the General Meeting.

In compliance with the provisions of Section 58(8)(b)(i) of the Companies Act, a summary of the rights of a Shareholder to be represented by proxy, as set out in Section 58 of the Companies Act, is set out in the Form of Proxy attached.

VOTING

On a show of hands, every Shareholder present in person or represented by proxy shall have only one vote. On a poll, every Shareholder present in person or represented by proxy shall have one vote for every Trans Hex Share held in the Company by such Shareholder.

The votes of the Treasury Shares may not be exercised with respect to the Ordinary Resolution contained in this Notice of General Meeting.

PROOF OF IDENTIFICATION REQUIRED

In terms of Section 63(1) of the Companies Act, any Shareholder or proxy who intends to attend or participate at the General Meeting must be able to present reasonably satisfactory identification at the General Meeting for such Shareholder or proxy to attend and participate in the General Meeting. A green bar-coded or smart card identification document, issued by the South African Department of Home Affairs, a driver's license or a valid passport will be accepted as sufficient identification.

ELECTRONIC PARTICIPATION BY SHAREHOLDERS

Should a Shareholder (or a representative or a proxy of such Shareholder) wish to participate in (but not vote at) the General Meeting by way of telephone conference call, then such Shareholder:

- must email helenac@transhex.co.za by no later than 09:00 on Thursday, 30 August 2018, in order to obtain dial-in details for the conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the General Meeting.

Shareholders (or a representative or a proxy of such Shareholder) will not be able to vote telephonically at the General Meeting and Shareholders will need to appoint a proxy or representative to vote on their behalf at the General Meeting.

By order of the Trans Hex Board

AJ Rich on behalf of STATUCOR (PTY) LTD
Company Secretary

30 July 2018



TRANS HEX GROUP

TRANS HEX GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1963/007579/06)
Share code: TSX ISIN: ZAE000018552
("Trans Hex" or the "Company")

FORM OF PROXY (FOR USE BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH "OWN NAME" REGISTRATION)

The definitions and interpretations commencing on page 4 of the Circular to which this form is incorporated, apply to this form, unless a word or a term is otherwise defined herein.

This Form of Proxy is only for use by:

- Certificated Shareholders; and
• Dematerialised Shareholders with "own name" registration,

in respect of the general meeting of Trans Hex Shareholders to be held at the Company's registered offices, 405 Voortrekker Road, Parow, Cape Town, on Monday, 3 September 2018 at 09:00 and at any postponement or adjournment thereof.

Shareholders who have Dematerialised their Trans Hex Shares with a Broker or CSDP, other than with "own name" registration, must arrange with the Broker or CSDP concerned to provide them with the necessary letter of representation to attend the General Meeting or the Shareholders concerned must instruct their Broker or CSDP as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the Shareholder and the Broker or CSDP concerned.

I / We (name in block letters)
of (address)
Telephone (work) (home)
Mobile (email)

being the holder(s) of Trans Hex Shares hereby appoint (see note 1):

- 1. or failing him / her
2. or failing him / her

the chairman of the General Meeting, as my / our proxy to attend, speak and act on my / our behalf at the General Meeting (and at any postponement or adjournment thereof) and, on a poll, to vote in my stead and to vote for or against the Ordinary Resolution or abstain from voting thereon in respect of the Trans Hex Shares registered in my / our name(s), in accordance with the following instructions (see note 3):

Table with 3 columns: For, Against, Abstain. Row 1: Ordinary Resolution 1 - Approval of the Transaction in terms of paragraph 9.20 of the Listings Requirements

Please indicate with an "x" or the relevant number of Trans Hex Shares, in the applicable space, how you wish your votes to be cast. Unless otherwise directed, the proxy will vote as he / she deems fit.

Signed at on 2018
Signature(s) Capacity
Assisted by (where applicable) Signature

Please read the notes on the reverse side hereof.

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of Section 58 of the Companies Act:

- a shareholder of a company may, at any time and in accordance with the provisions of Section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
- a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
- irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
- any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
- if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company;
- a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise;
- if the instrument appointing a proxy / proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's Memorandum of Incorporation to be delivered to a shareholder must be delivered by such company to:
 - the relevant shareholder; or
 - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so; and
- if a company issues an invitation to its shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of proxy instrument:
 - the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised;
 - the invitation or form of proxy instrument supplied by the company must:
 - * bear a reasonably prominent summary of the rights established in Section 58 of the Companies Act;
 - * contain adequate blank space, immediately preceding the name / (s) of any person / (s) named in it, to enable a shareholder to write the name and, if desired, an alternative name of a proxy chosen by the shareholder; and
 - * provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution / (s) to be put at the meeting, or is to abstain from voting;
 - the company must not require that the proxy appointment be made irrevocable; and
 - the proxy appointment remains valid only until the end of the meeting at which it was intended to be used.

NOTES:

1. A Shareholder is entitled to appoint one or more proxies (who need not be a Shareholder of the Company) to attend, speak, and on a poll, vote in place of that Shareholder at the General Meeting.
2. A Shareholder may insert the name of a proxy or the names of two alternate proxies of the Shareholder's choice in the space / (s) provided, with or without deleting "the chairman of the General Meeting". The person whose name stands first on the Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A Shareholder should insert an "x" in the relevant space according to how the Shareholder wishes his / its votes to be cast. However, if a Shareholder wishes to cast a vote in respect of a lesser number of Shares than that which he / it holds, such Shareholder should insert the number of Shares held in respect of which he / it wishes to vote or abstain from voting. If a Shareholder fails to comply with the above then such Shareholder will be deemed to have authorised the proxy to vote or to abstain from voting at the General Meeting as such proxy deems fit in respect of all of the Shareholders' votes exercisable at the General Meeting. A Shareholder is not obliged to exercise the votes in respect of all of the Shares held by him / it, but the total votes cast and abstentions recorded may not exceed the total number of the votes exercisable by the Shareholder.
4. The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
5. The chairman of the General Meeting may reject or accept any form of proxy which is not completed and / or received in accordance with these notes.
6. Shareholders who have Dematerialised their Shares with a Broker or CSDP, other than those with "own name" registration, must arrange with the Broker or CSDP concerned to provide them with the necessary letter of representation to attend the General Meeting or the Shareholders concerned must instruct their Broker or CSDP as to how they wish the votes in respect of their Shares to be voted at the General Meeting. This must be done in terms of the agreement entered into between the Shareholder and the Broker or CSDP concerned.
7. Any alteration to this Form of Proxy, other than the deletion of alternatives, must be signed, not merely initialled, by the signatory / ies.
8. If this Form of Proxy is signed under a power of attorney, then such power of attorney or a notarially certified copy thereof must be sent with this Form of Proxy, unless it has previously been recorded by Trans Hex or the Transfer Secretaries.
9. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity (e.g. on behalf of a company, trust/ees, pension fund, deceased estate, etc.) must be attached to this Form of Proxy, unless previously recorded by Trans Hex or the Transfer Secretaries or waived by the chairman of the General Meeting.
10. A minor or any other person with legal incapacity must be assisted by his / her parent or guardian, unless the relevant documents establishing his / her capacity are produced or have been recorded by Trans Hex or the Transfer Secretaries.
11. Where there are joint holders of Shares:
 - a. any one holder may sign the Form of Proxy; and
 - b. the vote of the senior joint holder, who tenders a vote, as determined by the order in which the names stand in the Register, will be accepted.
12. Forms of Proxy should be lodged at or posted to the Transfer Secretaries at Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196, South Africa (PO Box 61051, Marshalltown 2107) so as to be received by the Transfer Secretaries by not later than 48 hours prior to the General Meeting, being 09:00 on Thursday, 30 August 2018. Should the Form of Proxy not be delivered to the Transfer Secretaries by this time, the Form of Proxy must be handed to the chairman of the General Meeting before the appointed proxy exercises any of your shareholder rights at the General Meeting.

