

**Capital Appreciation Limited  
Incorporated in the Republic of South Africa  
(Registration number 2014/253277/06)  
Share code: CTA  
ISIN: ZAE000208245  
("CAPPREC" or the "Group")**

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**SPECIFIC SHARE REPURCHASE AND  
SMALL RELATED PARTY TRANSACTION**

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**1. INTRODUCTION**

Capital Appreciation shareholders ("Shareholders") are referred to the Group's Audited Condensed Financial Results Announcement for the year ended 31 March 2019, released on SENS on 10 June 2019. CAPPREC announced, inter alia, the conclusion of a share repurchase agreement with Dr. Hanoch Neishlos, the principal vendor of African Resonance, a CAPPREC subsidiary.

The agreement includes the following matters (collectively "the Transaction"):

- The early termination of Dr. Neishlos' employment contract, initially intended to expire on 30 April 2020;
- CAPPREC acquiring all CAPPREC shares owned by Dr. Neishlos and related associates, in aggregate 245 million shares ("the Repurchase");
- The Group acquiring certain intellectual property from Uplink Technology Services Proprietary Limited ("Uplink"), an entity controlled by Dr. Neishlos ("the Uplink Transaction");
- CAPPREC disposing of its 17.45% minority interest in Resonance Australia Proprietary Limited ("Resonance Australia"), and its claim on loan account, to Dr. Neishlos or his nominee ("the RA Transaction" and, together with the Uplink Transaction, "the Small Related Party Transaction"); and
- The dissolution of other related party contracts and services relationships that formed part of the initial terms of acquisition, including the settlement of reciprocal operational claims and obligations existing between the parties on the effective date.

**2. DESCRIPTION OF THE BUSINESS CARRIED ON BY RESONANCE AUSTRALIA**

Resonance Australia is a foreign associate company investment of CAPPREC that is still in its early stages of development and that is still pre-revenue. Resonance Australia intends to operate a payments business based on a technology platform that is similar to that being rolled out by CAPPREC subsidiary, Dashpay.

### **3. RATIONALE FOR THE TRANSACTION**

The Transaction was triggered, inter alia, by the desire of Dr. Neishlos for an early termination of his employment agreement and his willingness, as part of the transaction, to allow the Group to gain control, for its use, over the intellectual property previously licensed to the Group by Uplink. Furthermore, the CAPPREC shares repurchased by the Group will be cancelled and is expected to result in a positive impact on future earnings per share.

### **4. PURCHASE CONSIDERATION**

The financial implications of the Transaction are as follows:

- CAPPREC will acquire 245 million shares at 80 cents per share for cash, the aggregate cost being R196 million;
- CAPPREC will dispose of its 17.45% minority interest in Resonance Australia, together with its claim on loan account, for an aggregate cash amount of R40 million; and
- CAPPREC will acquire the intellectual property from Uplink for R5 million; and
- Other claims and obligations will be settled between the parties on the effective date for cash in the normal course.

### **5. CONDITIONS PRECEDENT**

In terms of the JSE's Listing Requirements, the Repurchase of the shares is subject to:

- Shareholder approval, excluding those shareholder votes belonging to the related party and his associates; and
- a statement by the Board of Directors of CAPPREC confirming that the Transaction is fair, such opinion to be further supported by an independent expert acceptable to the JSE.

### **6. GENERAL**

At the 31 March 2019, the aggregate book value of the associate share interest in and loan to Resonance Australia amounted to R 31.5 million, represented by the investment in associate of R 26.4 million and the loan to associate of R 5.1 million respectively. The

proceeds of the disposal will result in a recoupment of attributable losses previously accounted for of R 3.4 million and a capital gain of R 5.0 million.

#### **7. APPLICATION OF SALE PROCEEDS AND SOURCE OF REPURCHASE OBLIGATIONS**

At 31 March 2019, CAPPREC had significant free cash resources amounting to R 611.2 million. The net aggregate cash outflow applicable to the Transaction will amount to approximately R 138.0 million and this will be settled from existing CAPPREC cash resources.

#### **8. THE EFFECTIVE DATE OF THE TRANSACTION**

The Transaction is subject to the fulfillment of the conditions precedent in Note 5 above and the anticipated effective date is expected to be no later than 31 August 2019.

#### **9. SMALL RELATED PARTY TRANSACTION**

Dr. Hanoch Neishlos is a director of CAPPREC. Dr. Neishlos is also the controlling shareholder of Uplink. Given these circumstances, Dr. Neishlos is considered a related party in terms of Paragraph 10.1 (b) of the JSE Listings Requirements.

#### **10. FAIRNESS OPINION**

The Company will appoint a JSE approved independent expert to provide a fairness opinion on the Repurchase and Small Related Party Transaction, full details of which will be included in a Circular to be distributed to Shareholders as referred to in paragraph 11 below.

#### **11. CIRCULAR TO SHAREHOLDERS**

The Repurchase is classified in terms of the JSE Listings Requirements as a specific repurchase of shares, requiring a Circular to be prepared for distribution to Shareholders. The Circular will include the convening of a Special General Meeting of Shareholders to consider the relevant resolutions required to be approved in connection with the Transaction.

The Circular containing details of the Transaction, together with the fairness opinion referred to in paragraph 10 above, including the notice of the Special General Meeting will be posted to Shareholders in due course.

Sandton  
18 June 2019

Sponsor: Investec Bank Limited