



The Trusted Home of Agriculture
Die Betroubare Tuiste van Landbou

15 November 2018

GENERAL ANNOUNCEMENT REGARDING IMPORTANT SHAREHOLDER MATTERS AND THE PROPOSED LISTING OF BKB LIMITED (“BKB”) ON THE LICENSED SECURITIES EXCHANGE OPERATED BY 4 AFRICA EXCHANGE (PTY) LIMITED (“4AX”)

IMPORTANT SHAREHOLDER MATTERS

Through this announcement, BKB wishes to inform the shareholders of BKB of recent developments relating to BKB and ARC Fund and to clarify matters which have been the subject of media reports and speculation amongst the shareholders of BKB.

Background

1. As announced to the shareholders of BKB on 30 November 2016, BKB and African Rainbow Capital Proprietary Limited (“ARC”) concluded a subscription agreement on 30 November 2016 (“ARC Subscription Agreement”), in terms of which ARC subscribed for 18,612,016 newly issued shares in BKB (which constituted approximately 20% of the entire issued share capital of BKB) (“ARC BKB Shares”) at a price of R10.50 per share (“ARC Subscription”). ARC subsequently transferred the ARC BKB Shares and all its rights and obligations in terms of the ARC Subscription Agreement to ARC Fund, a South African *en commandite* partnership, with the prior approval of BKB.
2. At the time of the ARC Subscription, BKB considered the benefits of the ARC Subscription to include (1) that BKB will increase its BEE shareholding in excess of 30%, (2) the introduction of ARC as a strategic partner to BKB with access to further capital in support of BKB's growth strategies, and (3) a capital injection of R195,426,168 to be allocated towards expansion opportunities. ARC represented to BKB that it had identified BKB as a preferred investment vehicle within the agri-space.
3. In terms of the ARC Subscription Agreement, BKB was granted a right of first refusal (“BKB’s Right of First Refusal”) in the event that ARC formed a wish to dispose of any of the ARC BKB Shares it acquired under the ARC Subscription Agreement during a period of 3 years from the



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date of the subscription. Should BKB's Right of First Refusal be triggered, BKB would be entitled to receive a right of first refusal notice from ARC ("**Right of First Refusal Notice**") in terms of which either BKB or a nominee of BKB would be entitled to acquire the ARC BKB Shares essentially at a price and on terms and conditions no less favourable than those at which ARC wished to dispose the ARC BKB Shares to a third party.

Subsequent Developments

4. In September 2017, ARC Fund and Acorn Agri Proprietary Limited ("**Acorn**") negotiated a transaction in terms of which Acorn presented ARC Fund with an offer, in the form of an option agreement, relating to the sale of all of the ARC BKB Shares to Acorn by 1 June 2018 at a price of R22 per share ("**Option Agreement**").
5. The rights and obligations of Acorn in terms of the Option Agreement were subsequently transferred to Acorn Agri and Food Limited ("**AAF**"), pursuant to the merger between Acorn and Overberg Agri Limited to form AAF.
6. On or about 6 June 2018, ARC Fund concluded a written agreement with AAF in terms of which AAF was to acquire the ARC BKB Shares from ARC Fund ("**First Sale of Shares Agreement**"). In terms of the First Sale of Shares Agreement, AAF would have the election to pay for the ARC BKB Shares either (1) by payment of a cash amount of R491,357,222 (i.e. a price equal to R26,40 per BKB share), or (2) by the issue of new ordinary shares in AAF. ARC Fund provided BKB with a Right of First Refusal Notice pursuant to the First Sale of Shares Agreement. Importantly, BKB was not given the option by ARC Fund to pay for the ARC BKB Shares through the medium of AAF shares. The First Sale of Shares Agreement was subsequently cancelled by ARC Fund and AAF.
7. On 11 July 2018, ARC Fund provided BKB with a further Right of First Refusal Notice pursuant to a further sale of shares agreement concluded between ARC Fund and AAF ("**Second Sale of Shares Agreement**"). In terms of the Second Sale of Shares Agreement, ARC Fund was to sell the ARC BKB Shares to AAF, but now only at a cash purchase price of R491,357,222 (i.e. a price equal to R26,40 per BKB share), with no option to issue shares in AAF to ARC.
8. In light of the above, and upon BKB having sought legal advice, a number of disputes arose between BKB and ARC Fund, including a dispute as to whether the conclusion of the Option Agreement constituted a "wish to dispose" on the part of ARC Fund and whether ARC Fund was



obliged to provide BKB with a Right of First Refusal Notice under the ARC Subscription Agreement, in the amount of R22 per share ("**Disputes**").

9. The Disputes were made the subject of an arbitration and arbitration appeal process, and have now been resolved by appeal arbitration. In terms of the arbitration appeal award, ARC Fund was ordered to provide BKB with a Right of First Refusal Notice in terms of which BKB or a nominee appointed by BKB (if elected by BKB) shall be entitled to purchase the ARC BKB Shares at a price of R22 per BKB share, for a total consideration of R409 464 352.00.
10. BKB has since received the required Right of First Refusal Notice from ARC Fund, which BKB is entitled to exercise by no later than 27 December 2018.
11. In light of the above, the shareholders of BKB are advised that the BKB Board is currently considering the options available to BKB insofar as exercising BKB's Right of First Refusal and any developments in this regard will be communicated to the shareholders of BKB in due course. In addition, the BKB Board will continue to assess such other rights and options available to it regarding the abovementioned matters to ensure that the interests of BKB and its shareholders are protected.

4AX LISTING

As a result of the current situation and related time constraints following receipt of the Right of First Refusal Notice from ARC Fund, the shareholders of BKB are advised that the proposed listing of BKB on 4AX, of which the shareholders of BKB were given notice in announcements of BKB published on 7 September 2018 and 30 October 2018, is temporarily postponed, however, it is expected that the 4AX listing will be pursued by the BKB Board as soon as possible after the BKB Board has made its decision insofar as exercising BKB's Right of First Refusal.

Further announcements are to follow.

J OOSTHUIZEN (MRS)
COMPANY SECRETARY
PORT ELIZABETH
15 NOVEMBER 2018





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