

RECM and Calibre Limited
(Incorporated in the Republic of South Africa)
Registration number 2009/012403/06
Preference Share Code: RACP
ISIN: ZAE000145041
("RAC" or "the Company")



ACQUISITION BY A WHOLLY OWNED SUBSIDIARY OF RAC OF A FURTHER 20.81% OF GOLDRUSH GROUP PROPRIETARY LIMITED AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Introduction

Further to the cautionary announcement released by the Company on SENS, dated 11 April 2016, shareholders are advised that RAC Investment Holdings Proprietary Limited ("RIH"), a wholly owned subsidiary of RAC, has entered into an agreement ("the Agreement") with Viva Leisure Investment Holdings Proprietary Limited and members of the Hipkin family. In terms of the Agreement, RIH will exercise its call option to acquire 20.81% of the issued share capital of Goldrush Group Proprietary Limited ("Goldrush"), from the sellers ("the Transaction") for an aggregate consideration of R221 176 302.10.

Description of the business of Goldrush

Goldrush is a premier gaming business in South Africa. It is one of the largest operators of Limited Pay-out Machines and the largest operator of Bingo in South Africa. The company has further interests in both online and retail sports betting outlets and has also been awarded a casino license.

Rationale for the Transaction

RAC, through its subsidiary, RIH, directly owns 31.4% of Goldrush. At the time of the original purchase transaction with the Hipkin Group, it was envisaged that RAC would initially provide expansion capital to Goldrush and would also have the opportunity to increase its shareholding in Goldrush. This was established through the mechanism of a call option provided by the sellers to RIH over 47 714 409 Goldrush ordinary shares (Goldrush Shares"). This call option has a strike price which values the business at R1 billion, and which grows by inflation as from 31 March 2015.

RAC is of the opinion that the value of the company substantially exceeds the exercise price of the call option. In addition, the regulatory environment pertaining specifically to Bingo has stabilised sufficiently for RAC to be comfortable to increase its stake in Goldrush. RIH therefore intends exercising the call option.

Financial information

The unaudited net asset value ("NAV") of Goldrush at 31 March 2016, being the financial year-end of Goldrush, was R586 289 634 and therefore the NAV attributable to the Goldrush Shares is R122 006 873 (being 20.81% of the NAV of Goldrush).

Date that the Transaction becomes effective

The Transaction will become effective on the third business day after the date on which the Conditions Precedent (as set out below) are fulfilled or waived ("Closing Date").

Consideration

The consideration payable to the sellers for the Goldrush Shares will be an aggregate amount of R221 176 302.10 ("the Consideration"), to be settled in the following way:

- R100 000 000 in cash from existing resources;
- R50 996 000 through the issue of 2 200 000 fully paid-up non-cumulative redeemable participating preference shares in RAC ("Consideration Shares") at a price of 2318 cents per share. Application will be made for the listing of such preference shares on the JSE once issued; and
- a deferred cash payment of R70 180 302.10 by no later than 30 September 2017. The amount of the deferred payment will increase at a rate equivalent to South African headline consumer price inflation from 31 March 2016 up to date of final settlement.

Vendors' details

The vendors are Viva Leisure Investment Holdings Proprietary Limited, RG Hipkin and SR Hipkin.

Change of control

RIH currently owns a 31.40% direct interest in Gold Rush. RAC has also funded staff and management BEE investment companies which provides a further effective 3.1% non-voting economic interest in Goldrush. The acquisition of an additional 20.81% of Goldrush and a concurrent restructure of the BEE shareholding will result in RIH holding a total interest in Goldrush of 52.21%. This results in a change of control of Goldrush with the resultant requirement to submit a merger notification, in terms of Chapter 3 of the Competition Act No. 89 of 1998, to the Competition Authorities for approval, as well as obtaining an exemption from the Take-over Regulation Panel for RAC to make an offer to the remaining shareholders of Goldrush to acquire their shares and such shareholders waiving their rights to such an offer.

Conditions precedent

The Transaction is conditional, *inter alia*, upon:

- the relevant boards of directors' ratification of the Agreement;
- all the necessary regulatory approvals and/or exemptions being obtained (including an exemption in terms of section 121 of the Companies Act No. 71 of 2008, as amended, from the Takeover Regulation Panel);
- shareholders of Goldrush waiving their rights to receive an offer from RIH to acquire their shares; and
- ABSA Bank, as primary funder to RIH, approving the Transaction under its current finance agreement.

Withdrawal of cautionary announcement

Following the release of this announcement, the cautionary announcement dated 11 April 2016 is hereby withdrawn and caution is no longer required to be exercised by RAC shareholders when dealing in their shares.

Cape Town
25 May 2016

Sponsor:



Questco (Pty) Ltd