

SABLE METALS AND MINERALS LIMITED

(formerly Sable Platinum Limited)

(Incorporated in the Republic of South Africa)

(Registration number: 2001/006539/06)

JSE share code: SMM ISIN: ZAE000185674

("SMM" or "the company" or "the group")

Specific issue, restructuring and scheme

1. Introduction

This announcement does not relate to previous cautionary announcements released by the company.

2. Background and rationale

2.1. SMM is an exploration company listed in the general mining sector on the exchange operated by the JSE Limited ("JSE").

2.2. It has four wholly owned subsidiaries, namely Sable Platinum Holdings Proprietary Limited ("SPH"), Corpcapital Investments Proprietary Limited, Withdrawn Limited and Corpcapital Investments 2 Proprietary Limited. The last three companies are in the process of being deregistered.

2.3. SPH holds 100% of the issued shares of Sable Platinum Mining Proprietary Limited ("SPM") as well as 74% of the issued shares of Roan Platinum Proprietary Limited. SPM holds shares in 15 (fifteen) companies.

2.4. As reported in SMM's 2015 Integrated Annual Report, the group's financial position is dire:

- its total liabilities exceed its total assets;
- it continues to incur losses; and
- it burns cash at a rate of R620 000 per month.

2.5. Consequently the group has been negotiating with a number of parties. However, as a result of a difficult mining environment, SMM found it difficult to raise capital.

2.6. Broken Land Adventures Proprietary Limited, which is in the process of changing its name to Middle East Diamond Resources Proprietary Limited, or another name approved by the Companies and Intellectual Property Commission ("MEDR"), or its nominee, is prepared to subscribe for shares in SMM on condition that SMM has divested itself of all its assets and liabilities, with the exception of its shareholding in SPH, which should also divest itself of its assets and liabilities.

2.7. The parties entered into heads of agreement on 11 August 2015, the salient features of which are set out below.

3. Specific issue

MEDR or its nominee will subscribe for 200 000 000 (two hundred million) new shares of SMM for a cash consideration of 4 (four) cents per share for an aggregate amount of R8 000 000 (eight million Rand), subject to certain conditions precedent below ("the specific issue").

4. Conditions precedent

The heads of agreement will be subject to fulfilment of the following conditions precedent:

4.1. SMM will enter into a share subscription agreement in respect of the specific issue with MEDR or its nominee within 14 days after signature of the heads of agreement.

- 4.2. The parties will procure the entering into of all agreements necessary and approval by shareholders of all companies concerned as well as all regulators in order to effect the preparatory transactions described in 5 below ("the preparatory transactions") and the specific issue.
- 4.3. MEDR will undertake a financial and legal due diligence investigation to its satisfaction into the affairs of SMM and SPH to be completed by no later than 31 August 2015.
- 4.4. As the specific issue will result in MEDR holding 45.96% of the increased issued share capital of SMM, it would trigger a mandatory offer to minorities and MEDR therefore requires such shareholders to waive the right to receive a mandatory offer, followed by a waiver of such offer by the Takeover Regulation Panel ("TRP").
- 4.5. Irrevocable undertakings, to vote in favour of all resolutions to approve the preparatory transactions as well as the specific issue and waiver, have to be obtained from shareholders of SMM holding at least 65% of its issued shares entitled to vote, by not later than 31 August 2015.
- 4.6. On 2 September 2015, on condition that the conditions in 4.1, 4.3 and 4.4 have been met, MEDR will deposit the amount of R8 000 000 (eight million Rand) in a trust account.

5. Preparatory transactions

- 5.1. SMM, SPH and SPM undertake to do the following:
 - 5.1.1. SPM will bear certain fees, costs and expenses of SMM;
 - 5.1.2. the deregistration of Corpcapital Investments Proprietary Limited, Withdrawn Limited and Corpcapital Investments 2 Proprietary Limited will be completed;
 - 5.1.3. SPM will sell all its shares in and claims on loan account against Great 1 Line Invest Proprietary Limited, Gemsbok Magnetite Proprietary Limited and Caber Trade and Invest 1 Proprietary Limited, subject to approval by shareholders;
 - 5.1.4. as a result of the sale in 5.1.3, SMM will no longer be able to fulfil its obligations to Familia Asset Managers Proprietary Limited ("Familia") in terms of the funding arrangement approved by shareholders on 27 October 2014 ("the Familia Agreement"), resulting in a contingent liability towards Familia (repayment of R10 million on demand from 2 June 2017) becoming an actual R10 million liability of SMM to repay the funding advanced by Familia;
 - 5.1.5. the 41 648 396 SMM shares held in escrow by Java Capital Limited, pending the outcome of the Syferfontein litigation disclosed in the litigation statement on page 38 of SMM's 2015 Integrated Annual Report, will be released;
 - 5.1.6. the 9 619 612 remaining share options granted by SMM would have to vest and be exercised;
 - 5.1.7. SMM will propose a scheme of arrangement to its shareholders on the scheme record date between SMM, SPH, SPM and their respective shareholders, the salient features of which scheme will be the following:
 - 5.1.7.1. all current and contingent liabilities of SMM and SPH will be ceded and assigned to SPM, with prior written approval of the creditors concerned, which shall include the following:
 - the Familia Agreement and the contingent liability of R10 million;
 - SMM's obligation to pay arrear non-executive directors' fees of approximately R2 million to SPM;
 - SMM's obligation to repay three unsecured loans of an aggregate amount of approximately R2.5 million to Allan Hochreiter Investments Proprietary Limited, Platanoides Limited and James Allan;
 - certain fees, costs and expenses of SMM;

in consideration for which SMM shall pay SPM an amount of R6 000 000 (six million Rand);

- 5.1.7.2. SPH will cede and transfer all shares held by SPH in Roan Platinum Proprietary Limited to SPM;
- 5.1.7.3. SMM will cede all rights that it may have in respect of the possible proceeds of a claim against South African Revenue Services of approximately R3 200 000 (three million two hundred thousand Rand) to SPM;
- 5.1.7.4. SPM will be converted into a public company and increase its authorised share capital;
- 5.1.7.5. SPM will adopt a new memorandum of incorporation of a public company with increased authorised shares of no par value;
- 5.1.7.6. SPM will issue one share to every shareholder of SMM (at the record date) for every one share in SMM held by such shareholder;
- 5.1.7.7. SPM will repurchase the 100 issued SPM shares held by SPH for a consideration of R5.;
- 5.1.7.8. as a result the body of shareholders and their respective shareholdings in SPM will be identical to that of SMM;
- 5.1.7.9. the board of directors of SPM will be reconstituted to be identical to the board of SMM as at the effective date of the scheme, subject to the completion of the necessary consent forms;
- 5.1.7.10. the shares of SPM will not be listed on the JSE;
- 5.1.7.11. all shares in SMM and SPM post the transaction will be freely transferable but certain major shareholders, excluding shares held by Botha Schabert in his personal capacity and shares held by Familia, holding at least 40% of the issued shares of SMM will by no later than 31 August 2015 give written undertakings not to dispose of their shares for at least six months after the effective date.

5.2. The preparatory transactions:

- will be subject to warranties and indemnities by SMM and its directors that are customary in transactions of this nature;
- are all inter-conditional and will become effective simultaneously; and
- are subject to all the necessary board, shareholder and regulatory approvals being obtained.

6. Implementation

- 6.1. As a result of the financial position of the SMM group and for the sake of convenience, the specific issue and the preparatory transactions will be presented to shareholders for approval as a package in a single circular.
- 6.2. All resolutions would have to be passed by the requisite majorities in order for the package to proceed. Should any resolution not be approved, the whole package will collapse.

7. Categorisation and Circular

The disposal referred to in 5.1 3 above will, if it takes place, be announced separately and be a Category 1 transaction as defined in the JSE's Listings Requirements, requiring approval by shareholders of SMM. The specific issue will require approval by shareholders and trigger a mandatory offer requiring a waiver by shareholders. The scheme of arrangement will require approval by scheme shareholders and the TRP in terms of the Companies Act, 2008 as amended.

A circular setting out all these transactions will be prepared and sent to shareholders in due course.

Johannesburg

13 August 2015

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