

30 June 2022

The Directors  
The Independent Board of Directors  
Bauba Resources Limited  
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**ATTENTION:** The Directors and the Independent Board of Directors

**INDEPENDENT EXPERT OPINION IN TERMS OF REGULATION 90 OF THE COMPANIES ACT, 71 OF 2008 (“COMPANIES ACT”) AND PARAGRAPH 1.15(d) LISTINGS REQUIREMENTS OF THE JSE LIMITED (“JSE”) WHEREBY RAUBEX PROPRIETARY LIMITED (“RAUBEX”) HAS MADE AN OFFER IN TERMS OF SECTION 117(1)(C)(V) OF THE COMPANIES ACT AND PARAGRAPH 1.15(C) OF THE LISTINGS REQUIREMENTS TO ACQUIRE ALL THE REMAINING SHARES OF BAUBA RESOURCES LIMITED (“BAUBA” OR THE “COMPANY”) FOR A CONSIDERATION OF R0.42 PER SHARE AND THE DELISTING OF BAUBA FROM THE JSE**

## 1. INTRODUCTION

In an announcement released on SENS on Tuesday, 21 June 2022 (“**Firm Intention Announcement**”) Bauba shareholders were advised of Raubex's firm intention to make an offer (the “**Offer**”) to eligible shareholders (“**Eligible Shareholders**”), in terms of section 117(1)(c)(v) of the Companies Act and paragraph 1.15(c) of the Listings Requirements, to acquire the Bauba shares not owned by Raubex for a cash consideration of R0.42 per share (“**Offer Consideration**”).

Raubex made a mandatory offer (“**Mandatory Offer**”) which closed on 10 June 2022, in terms of section 123 of the Companies Act to acquire from minority shareholders (excluding its then concert party Pelagic Resources PTE LTD), all or some of their Bauba shares for a cash consideration of R0.42 per share.

Pursuant to the Offer, Bauba has, subject to the approval of Bauba shareholders, proposed the delisting of Bauba from the JSE in terms of paragraphs 1.15(a) and 1.16 of the Listings Requirements (“**the Delisting**”).

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Bauba will be Delisted if the delisting resolution (“Delisting Resolution”) is approved by the requisite majority of shareholders. If the Delisting Resolution is not approved and should Raubex be able to invoke the provisions of section 124 of the Companies Act, then Raubex intends to apply for a delisting of Bauba from the JSE in terms of paragraph 1.17(a) of the Listings Requirements. In the event that the Delisting Resolution is not approved and Raubex is unable to invoke the provisions of section 124 of the Companies Act, Bauba will remain listed on the JSE.

Therefore, the independent board (“**Independent Board**”), and the board of directors of Bauba (“**Board**”) have respectively appointed Tamela Holdings Proprietary Limited (“**Tamela**”) as the independent expert to opine on whether or not the terms of the Offer are fair and reasonable to the Eligible Shareholders, in conformity with the applicable requirements of regulation 90 of the Companies Act and paragraph 1.15(d) of the Listings Requirements (the “**Opinion**”).

## 2. DEFINITION OF THE TERMS FAIR AND REASONABLE

### Fairness

A transaction will generally be considered fair to the company’s shareholders if the value received by the shareholders (represented by the value of Offer Consideration), is equal to or greater than the value surrendered by the shareholders (represented by the fair value of Bauba shares).

The assessment of fairness is primarily based on quantitative considerations in terms of Schedule 5.7 of the Listings Requirements.

### Reasonableness

In accordance with regulation 110(9) of the Companies Act, the Offer will be considered reasonable if at the time the Offer Consideration was announced (or some other appropriate identifiable time), the value of the Offer Consideration exceeds the market value of the Bauba shares. The reasonability of a transaction may also be based on qualitative considerations. Although the Offer consideration differs from the market value, the Offer may be considered reasonable after considering significant qualitative factors surrounding the Offer.

## 3. INFORMATION AND SOURCES OF INFORMATION

In the course of our analysis, we relied upon financial and other information obtained from Bauba, together with industry-related and other information in the public domain. Our conclusion is dependent on such information being accurate in all material respects and accordingly we cannot express any opinion on the financial and other information used in arriving at our Opinion. The principal sources of information used in formulating our Opinion regarding the Offer were:

- a draft of the combined circular to Bauba shareholders (“**Circular**”) setting out the terms of the Offer, substantially in the form of the circular to which our Opinion will form an Annexure 1;
- the audited annual financial statements for Bauba, for the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021 as well as the reviewed financial statements for the 8-month period ended February 2022 (“**Historical Financial Information**”);
- the management accounts for Bauba from July 2021 up to April 2022 (“**Management Accounts**”);

- Bauba's 3-year cash flow projections for the 1 January 2022 – 31 December 2024 period;
- Bauba's Kookfontein Mine Techno-Financial Model;
- Bauba's Kookfontein Chrome Mine Production Schedule;
- Bauba's Moeijelijk Chrome Mine Production Schedule;
- the Sale of Run-of-Mine agreement between Nuco Chrome Bophutatswana Proprietary Limited and Siyanda Bakgatla Platinum Mine Proprietary agreement;
- the Sale of Tailings and Processing agreement between Braemore Platinum Resources Proprietary Limited and Bauba A Hlabirwa Mining Investments Proprietary Limited;
- the Evergreen Chromite Ore Commodity Purchase Agreement between Pelagic Resources Private Limited and Bauba A Hlabirwa Mining Investments Proprietary Limited;
- discussions with the management team of Bauba;
- other financial information and forecasts received from Bauba;
- publicly available information relating to Bauba that we deemed to be relevant, including Company announcements, investor presentations and analyst reports;
- on-line and subscription databases covering financial markets, share prices, volumes traded, exchange rates, commodity prices and news.
- various competent persons' reports ("**CPR**") and technical mineral estimation reports on Bauba's PGE operations (published between August 2014 and August 2019) and Mineral resource estimations for the Moeijelijk Chrome Operation and Kookfontein Chrome Project and Mineral reserve for the Moeijelijk Chrome Operation, compliant with the SAMREC 2016 Code, updated with effect from 30 June 2021, which extracts are contained in the Mineral Resources and Mineral Reserves Report of Bauba's integrated annual report for the year ended 30 June 2021.

Where practical and where possible, we have corroborated the reasonability of the information provided to us for the purpose of forming our Opinion, including publicly available information, whether in writing or obtained in discussions with Bauba representatives.

#### **4. MATERIAL EFFECTS ON THE RIGHTS OF BAUBA SHAREHOLDERS**

By way of summary, following the implementation of the Offer:

- Eligible Shareholders who accept the Offer will receive the Offer Consideration in compensation for their Bauba shares.
- Bauba will be delisted from the JSE if the Delisting Resolution is approved by Bauba shareholders or should Raubex be able to invoke the provisions of section 124 of the Companies Act as set out in the Circular.

The implementation of the Offer is not expected to have a material adverse effect on the business and prospects Bauba.

#### **5. PROCEDURES PERFORMED**

In arriving at our Opinion, amongst other things, we have considered the following factors and undertaken the following procedures in evaluating the fairness and reasonableness of the Offer:

- considered the terms of the Offer;
- analysed and reviewed the Historical Financial Information and Management Accounts;
- reviewed certain publicly available information relating Bauba;
- considered the prevailing economic and market conditions;
- considered other facts and information relevant to concluding our Opinion; and
- considered the appropriateness of the Offer.

## **6. RESPONSIBILITY**

Compliance with the the regulations as set out in chapter 5 of the Companies Regulations, 2011, promulgated under the Companies Act and the Listings Requirements is the responsibility of the Bauba Independent Board and the Board. Our responsibility is to report on whether the terms of the Offer are fair and reasonable as they relate to the Bauba shareholders.

The Opinion is provided in connection with and for the purposes of the Offer. The Opinion does not purport to cater for each individual Bauba's shareholders' perspective, but rather that of the general body of the shareholders of Bauba. We confirm that our Opinion has been provided to the Bauba Independent Board and the Board for the sole purpose of assisting them in forming and expressing an opinion for the benefit of Eligible Shareholders.

We accept no responsibility to any party other than to the Independent Board and the Board.

## **7. ASSUMPTIONS**

We have satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions used to formulate our Opinion by:

- considering the historical trends of such information and assumptions; and
- comparing and corroborating such information and assumptions with external sources of information if such information is available.

## **8. LIMITING CONDITIONS**

We have relied upon and assumed the accuracy of the historic and forecast information provided to us in deriving our Opinion. Where practical, we have corroborated the reasonableness and appropriateness of the information provided to us for the purpose of our Opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of Bauba relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to

how closely the actual future results of Bauba will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with Bauba's management.

Our Opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the Opinion, and we are under no obligation to update, review or re-affirm our Opinion based on such developments.

## **9. INDEPENDENCE, COMPETENCE AND FEES**

We confirm that we have no existing or continuing relationship nor direct or indirect interest in Bauba, Raubex nor in the Offer. We also confirm that we have the necessary qualifications and competence to opine on the fairness and reasonableness of the Offer.

Furthermore, we confirm that our professional fees of R275 000 (excluding Value Added Tax), payable in cash, are not contingent upon the success of the Offer or the Delisting.

## **10. INTERESTS OF DIRECTORS OF BAUBA**

As at the date of this Opinion, the directors of Bauba, had no direct or indirect beneficial interests in the shares of Bauba. No directors of Bauba will benefit, directly or indirectly, in any manner as a consequence of the implementation of the Offer. In addition, there will be no change in the remuneration of directors of Bauba as a consequence of the Offer. Accordingly, the Offer will not have a material effect on the interests of the Bauba directors.

## **11. VALUATION APPROACH**

We performed the sum of the parts valuation of Bauba. The Moejlieljk Chrome Operation was valued using the income approach and applying a discounted cashflow methodology ("DCF") as a primary valuation methodology. This approach indicates the market value of the ordinary shares of a company based on the value of the cashflows that the company can be expected to generate in the future through applying discounted cashflow techniques. The DCF methodology is appropriate where detailed forecast cashflows of the entity being valued can be reliably determined and where such forecasts are available for a period of at least 3 to 10 years. Bauba provided detailed forecasts which allowed for the use of DCF, which is generally regarded as the most robust valuation methodology. The Kookfontein Chrome Project was however valued using the cost approach as a primary valuation methodology being the acquisition cost of ZAR60 million which acquisition became unconditional in July 2021. Further, the Kookfontein Chrome Project will most likely only reach steady state production in 12 months. The value of Bauba is therefore the sum of the Moejlieljk Chrome Operation DCF results and Kookfontein Chrome Project cost approach results. We have used enterprise value/resource multiple based on comparable companies as a secondary valuation methodology to corroborate the primary valuation methodology and the result thereof was a value lower than the valuation range below.

The forecast financial information for the period ending February 2029 were obtained from Bauba. The reliability of these cashflows were tested by checking reasonability based on past performance as well as current and forecast market conditions.

The valuation of Bauba was performed using real cashflows, therefore the nominal weighted average cost of capital ("WACC") was adjusted for inflation. The valuation was performed taking cognisance of risk and other market and industry factors affecting Bauba.

The DCF valuation of Bauba was based on key assumptions and key external (electricity, shipping, exchange rate, and chrome prices) and internal (mining costs including labour costs, and stoping costs) value drivers which have a significant impact on the value of Bauba.

Sensitivity testing has been carried out to stress test different scenarios through successive adjustments to the base case forecasts to allow for uncertainty and volatility in chrome prices, exchange rate and operating costs by either decreasing or increasing the key assumptions. The valuation results thereof are set out in the table below.

The sensitivity analysis tested a combination of various chrome prices up to USD 220, exchange rate flexed between ZAR:\$ 14.75 – 15.75 and increasing operating costs by up to 10% for the upside sensitivity case. The results of these sensitivities are summarized in the table below.

	<b>CIF Chrome price per dry ton 42% (USD)</b>	<b>ZAR:USD exchange rate</b>	<b>Value range per Bauba share (ZAR cents)</b>
Base Case	USD 185	ZAR:\$ 15.00	29 – 33
Downside Sensitivity	USD 175	ZAR:\$ 14.75	13 – 15
Upside Sensitivity	USD 220	ZAR:\$ 14.75	40 – 46

The real (i.e. after adjusting for inflation) WACC used in the valuation is: 13.8%

## 12. VALUATION RESULTS

On the basis of the analysis above, in our opinion, the value of a Bauba share is between 29 ZAR cents and 33 ZAR cents per share with the most likely value being 31 ZAR cents per share.

## 13. ASSESSMENT OF REASONABLENESS

The assessment of the reasonability of the Offer has also taken into account the following:

- Following the conclusion of the Mandatory Offer, Raubex holds and/or controls the voting rights in respect of an aggregate number of 462 484 254 shares, representing c. 61.68% of Bauba's issued share capital. Consequently, Bauba's shares may become less liquid on the JSE and minority shareholders' ability to exert significant influence on the decision making may be further reduced.
- Bauba will be delisted if the Delisting Resolution is approved by Bauba shareholders.
- The Mandatory Offer was concluded at 42 ZAR cents per share and is the highest price at which Raubex acquired Bauba shares in the six month period before the date of the Firm Intention Announcement.
- Further, in terms of section 127(5) of the Companies Act, Raubex cannot, for a period of six months immediately following the closing date of the Mandatory Offer, make a second offer to shareholders, or acquire any interest in Bauba shares, on more favourable terms than those made under the Mandatory Offer.

- The Offer is therefore intended to provide eligible Bauba shareholders with an exit opportunity.

#### **14. OPINION**

The Offer Consideration of 42 ZAR cents per share is greater than the valuation range. Having regard to the terms and conditions of the Offer as set out above and based on the aforementioned, we are of the opinion, subject to the limiting conditions set out above, that the terms and conditions of the Offer are fair and reasonable to the Bauba shareholders. An individual Bauba shareholder's decision may be influenced by such shareholder's particular circumstances and, accordingly, a shareholder should consult an independent adviser if in any doubt as to the merits or otherwise of the Offer.

We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Offer will be fulfilled or obtained.

Our Opinion is necessarily based upon the information available to us up to 23 June 2022, which we are under no obligation to update, review or re-affirm. Accordingly, it should be understood that subsequent developments may affect our Opinion.

#### **15. CONSENT**

We hereby consent to the inclusion of our Opinion, in whole or in part, and any references thereto, in the form and context in which they appear in any required regulatory announcement or the Circular or document relating to the Offer.

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