

BSI Steel Limited

(Incorporated in the Republic of South Africa)

(Registration number 2001/023164/06)

JSE share code: BSS ISIN: ZAE000125134

(“**BSI**” or “**the Company**”)

ANNOUNCEMENT REGARDING BSI’S BROAD-BASED BLACK ECONOMIC EMPOWERMENT (“B-BBEE”) TRANSACTION AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

BSI shareholders (“**Shareholders**”) are referred to the cautionary announcement published on 18 May 2017 (“**Cautionary Announcement**”), wherein they were advised that the Company was in discussions with B-BBEE investors regarding the disposal of a majority stake in Isilo Steel (Proprietary) Limited (“**Isilo Steel**”), a wholly-owned subsidiary of BSI (“**B-BBEE Transaction**”).

Shareholders are advised that BSI and its wholly owned subsidiary Isilo Steel have now entered into a series of transactions (“**Transactions**”) to give effect to the B-BBEE Transaction. In terms of the Transactions, Isilo Investments (RF) Proprietary Limited (“**Isilo Investments**”) (held 51% as to Tutuni Investments 14 (Proprietary) Limited (“**Tutuni**”) and 49% as to Thuthuka Trust) will acquire an effective 51.12% in Isilo Steel. This will result in Isilo Steel being 51% Black Owned (as defined in the B-BBEE Codes of Good Practice (“**Codes**”)) and 30% Black Women owned (as defined in the Codes).

2. THE TRANSACTIONS

2.1 The Transactions

The material aspects of the Transactions that give effect to the B-BBEE Transaction are:

- the sale of BSI’s High Volume Strategic Clients division (“**High Volume Business**”) to Isilo Steel; and
- the subscription by Isilo Investments for a 51.12% interest in Isilo Steel (“**Subscription**”) for R32 299 000.

This results in BSI disposing of a 51.12% interest in Isilo Steel (effectively the High Volume Business) to Isilo Investments.

In order to finance the Subscription, BSI has subscribed for, and Isilo Investments has issued to BSI, one cumulative redeemable non-participating preference share (“**Preference Share**”) for a subscription price of R32 299 000 (“**Preference Share Subscription Price**”). The coupon rate on the Preference Share will be the prime rate less 2% and the Preference Share will be redeemed by way of dividends. The final redemption amount of the Preference Share will be determined by adjusting the Preference Share Subscription Price according to a formula based on net profits after tax earned by Isilo Steel up until and including the year ending 31 March 2020, which amount is limited to R75 000 000.

2.2 Nature of Isilo Steel's business

The High Volume Business targets managed-risk "blue chip" volume users of steel and related products.

2.3 Rationale for the B-BBEE Transaction

The Transactions have been entered into in accordance with BSI's commitment to transformation in South Africa and in order to facilitate its B-BBEE objectives.

2.4 Conditions precedent and effective date

The conditions precedent to the transactions have been fulfilled and the transactions are effective from 15 June 2017 ("**Effective Date**").

2.5 Other significant terms of the Transactions

Isilo Steel has warranted that with effect from the Effective Date, it will be and remain 51% Black Owned and 30% Black Women Owned.

Isilo Investments may not sell its shares in Isilo Steel for a period of three years.

3. THE NET ASSETS AND PROFITS ATTRIBUTABLE TO THE TRANSACTIONS

The value of the net assets that are the subject of the Transactions as at 30 September 2016 (at the time the High Volume Division was a division of BSI and was subsequently sold to Isilo Steel as a consequence of the Transactions), being BSI's most recent interim period, was R 42 330 404. The profit after tax attributable to the net assets that are the subject of the Transactions for the six months ended 30 September 2016 was R 3 928 686.

4. CATEGORISATION OF THE TRANSACTIONS

In terms of paragraph 3.35 of the JSE Limited Listings Requirements ("**Listings Requirements**"), an issue of shares for cash in a subsidiary of an issuer must be categorised in accordance with the provisions of section 9 of the Listings Requirements. The Transactions therefore give rise to a Category 2 transaction as contemplated in Section 9. Further to this, Tutuni is a related party as contemplated in Section 10 of the Listings Requirements as Mr BM Khoza's (a director of BSI) family trust, is a 50% shareholder of Tutuni. This announcement has, therefore, been made in compliance with section 9 regarding a Category 2 transaction and paragraph 21.11(c) of the Listings Requirements with regard to the related party transaction. In terms of paragraph 21.11(c), all transactions with related parties must be announced irrespective of the size of the transaction.

5. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the Cautionary Announcement published on the Stock Exchange News Service on 18 May 2017. Further to the information set out in this announcement regarding the Transactions, caution is no longer required to be exercised by Shareholders when dealing in their BSI securities.

Designated Adviser and Corporate Advisor
Sasfin Capital (a division of Sasfin Bank Limited)