



NOTIFICATION IN RESPECT OF THE RELEASE OF A PLEDGE OF LINKED UNITS OWNED BY GH GROUP PROPRIETARY LIMITED AND ASSOCIATED INVESTMENT & DEVELOPMENT PROPRIETARY LIMITED IN FAVOUR OF TURNSTAR HOLDINGS LIMITED ARISING FROM LONG TERM GUARANTEE OBLIGATIONS

The board of directors (the **Board**) of Turnstar Holdings Limited (**Turnstar** or the **Company**) notifies shareholders of the Company as follows:

1. Turnstar entered into a Sale and Settlement of Indebtedness Agreement (the **Sale Agreement**) with GH Group Proprietary Limited (**GHG**), Associated Investment & Development Proprietary Limited (**AIDC**) and Island View Proprietary Limited (**Island View**) on 27 June 2011, as reinstated and amended in terms of a Reinstatement and Amendment Agreement dated 27 October 2011.
2. The Sale Agreement pertained to a related party transaction, approved by Turnstar, its shareholders and the Botswana Stock Exchange under the then applicable Listings Requirements, in terms of which Turnstar acquired the entire issued shareholding of Island View which, in turn, owns the entire issued share capital of Mlimani Holdings Limited (**MHL**), the owner of the Mlimani City Development in Dar es Salaam, Tanzania (the **Mlimani Transaction**). The Mlimani Transaction was a related party transaction as GHG is owned by Mr Gulaam Abdoola, a significant shareholder, and the managing director, of Turnstar (**Mr Abdoola**).
3. The Mlimani Transaction duly took place and Turnstar acquired 100% of the shareholding of Island View from GHG and AIDC and, thereby, MHL and its underlying asset, Mlimani City. The purchase price was partly paid in cash to GHG and AIDC and partly in linked units issued by Turnstar to GHG and AIDC (the **Mlimani Transaction Linked Units**).
4. As the Mlimani City Development was categorised as a major project in Tanzania, MHL was entitled to the grant of certain tax incentives.

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5. The tax incentives granted to MHL by the Government of Tanzania (**GoT**) via the Tanzania Investment Centre (**TIC**) (in terms of agreements entered into by TIC and MHL) included, among others, (i) exemption from withholding tax on foreign interest and (ii) the entitlement (on the part of MHL) to the recovery of its full investment costs (which, for the avoidance of doubt, encompassed all loan repayments and interest thereon), until such investment costs were fully recouped and, accordingly, MHL was not to be subject to any income tax until the time of such recoupment (the **MHL Tax Incentives**). The MHL Tax Incentives were to be given effect, over and above the agreements entered into between TIC and MHL, by way of publication of formal Government notices as to the MHL Tax Incentives in the Tanzanian Government Gazette (the **GNs**). The publication of the GNs was one of the conditions precedent stipulated in the Sale Agreement (as reinstated) (the **GNs Condition Precedent**).
6. After implementation of the Mlimani Transaction, it became apparent that the GNs were not going to be published by the GoT within the time stipulated in the Sale Agreement (as reinstated).
7. Turnstar therefore engaged further with GHG and AIDC and, against a waiver of the GNs Condition Precedent, GHG and AIDC executed a Deed of Guarantee on 24 December 2011 in favour of Turnstar (the **Guarantee**).
8. In terms of the Guarantee, which was to subsist in accordance with its terms until 31 January 2023 (the **Guarantee Period**), GHG and AIDC would, jointly and severally, irrevocably and unconditionally, guarantee to pay to Turnstar any shortfall (not exceeding USD 6 million) which occurred in relation to amounts receivable by Turnstar from MHL, where such shortfall was caused by (i) any obligation to withhold tax on any loan interest and/or (ii) any withholding tax towards the distribution of profits of MHL available by way of dividend (together, the **Amounts Receivable Shortfall**).
9. In security for performance by GHG and AIDC under the Guarantee, each of GHG and AIDC undertook to pledge to Turnstar (the **Linked Units Pledge**), from the pool of agreed Mlimani Transaction Linked Units, 10 million linked units in the capital of Turnstar (the **Pledged Linked Units**) for the duration of the Guarantee Period.

10. The Linked Units Pledge has been in force, and the Pledged Linked Units have been held as security by Turnstar, throughout the Guarantee Period. The existence of the Linked Units Pledge has been recorded as a note in respect of related party transactions in the Annual Financial Statements of the Company from the execution of the Guarantee to date.
11. Turnstar has not been subjected to any Amounts Receivable Shortfall (having had the full benefit of all revenue receivable from Mlimani City) during the Guarantee Period and there has therefore been no call upon GHG or AIDC under the Guarantee.
12. In Tanzania, in the absence of publication thus far of the GNs, MHL has, notwithstanding the MHL Tax Incentives, had the Tanzania Revenue Authority (TRA) assess upon it corporate tax (for the tax years 2017, 2018 and 2019) and withholding tax on bank interest (for the tax years 2013 to 2019) (collectively, the **TRA Assessments**).
13. However, (i) these TRA Assessments are disputed by MHL (MHL having duly and properly objected to the assessments and the TRA having admitted such objections and initiated a settlement process in terms of the relevant law in Tanzania, with the consequent practical result that recovery proceedings in relation to the tax assessed are suspended until the conclusion of the settlement process) and (ii) there are ongoing discussions and negotiations underway by MHL with the GoT to seek the publication finally of the relevant GNs (noting, importantly, that (a) Turnstar took the decision not to litigate against GoT in respect of the non-publication of the GNs, electing instead to seek a negotiated and amicable outcome and (b) there has been no indication by the GoT that the GNs will *not* be published).
14. On the basis that:
 - (i) there has been no Amounts Receivable Shortfall during the Guarantee Period;
 - (ii) objections by MHL to the TRA Assessments have been admitted by the TRA and the TRA Assessments are suspended pending conclusion of a settlement process with the TRA;

(iii) Turnstar continues to engage with the Tanzanian authorities in relation to the publication of the GNs;

(iv) the Guarantee Period and, thereby, the Guarantee, have expired,

the Board of Turnstar has resolved (it being recorded that Mr Abdoola was not part of the Board decision making process, having recused himself) to release GHG and AIDC from the Linked Units Pledge (such release being a contractual entitlement of GHG and AIDC, the Guarantee Period having expired) and permit the free and unencumbered control by GHG and AIDC of the Pledged Linked Units owned by them (the **Release of Pledge**).

15. This notification to shareholders is for information purposes only and does not constitute a cautionary announcement. The Release of Pledge is neither a new transaction (the Mlimani Transaction having concluded in 2011) nor does it trigger any new related party considerations or disclosures (as the Guarantee and Linked Units Pledge have been the subject of prior and continuous disclosure in the Annual Financial Statement of the Company).

BY ORDER OF THE BOARD
9th February 2024