

Announcement relating to, *inter alia*:

- the notice of a general meeting of City Lodge shareholders;
 - a proposed rights offer of R1.2 billion; and
- arrangements in relation to the 2008 B-BBEE Transaction and related BEE Funding

1. INTRODUCTION

Further to the Company's announcements dated 24 March 2020 and 12 June 2020 and following the implementation, effective midnight, 26 March 2020, of a nationwide lockdown, the Group ceased operations at all of its 55 South African hotels. Subsequently, in line with announcements in the remaining territories in which the Group operates, all 62 Group hotels were closed, resulting initially in no revenue being earned. Limited operating activities have however since taken place for varying periods and in compliance with lockdown regulations and directions. Initially 7 of the Group's South African hotels remained operational, with 3 serving as quarantine hotels, 2 providing accommodation to stranded international tourists and 2 providing accommodation to essential services workers.

As on 12 June 2020, 2 hotels are serving as quarantine hotels and a further 21 (including 2 non-South African) hotels are open for stranded guests, essential services and business travel accommodation requirements, albeit at limited/low occupancies. This position will be revisited on an ongoing basis and amended where necessary, based on demand.

Given the extreme uncertainty facing the Company and the losses currently being incurred due to COVID-19, the associated lockdown and travel ban and furthermore given that it is not yet known when our hotels can re-open and return to above breakeven occupancy levels, together with the high level of debt on the City Lodge balance sheet, which includes the Company's guarantee of the BEE Funding (of which further details are set out in paragraph 2 below), the Board believes it prudent to put in place the necessary measures to be able to proceed with an underwritten, renounceable Rights Offer of ZAR1.2 billion, which Rights Offer price is expected to be at a discount to market, as per normal market practice.

The ZAR1.2 billion will allow the Company to:

- repay corporate debt;
- provide for its obligation under the BEE Funding arrangements;
- allow the Company sufficient working capital to fund its cash flow shortfall as a result of the impact of the COVID-19 pandemic and national lockdown; and
- create debt capacity and a flexible capital structure to position the company for future growth.

In order to be in a position to give effect to the Rights Offer, the Company requires its Shareholders to approve (i) the conversion of City Lodge Ordinary Shares from par value City Lodge Shares of 10 cents each to City Lodge Shares of no par value; (ii) the increase of the authorised share capital of the Company to 10 billion City Lodge Shares of no par value; (iii) the consequential amendments to the Memorandum of Incorporation required by the passing of (i) and (ii); and (iv) the allotment and issue of Ordinary Shares for the purpose of the Rights Offer.

The Company will furthermore be seeking approval for:

- the waiver of any obligation to make a Mandatory Offer to City Lodge Shareholders arising from, or in any way connected to, the Rights Offer; and
- the authorisation for the Company to provide financial assistance in terms of section 44 of the Companies Act in relation to the Collateral Deposit required to secure settlement of the BEE Funding of City Lodge's B-BBEE Transaction, which BEE Funding is guaranteed by City Lodge.

A circular to Shareholders ("Circular") including a notice of General Meeting to convene the General Meeting for the purpose of considering and, if deemed fit, passing with or without modification, the relevant resolutions required, will be distributed to Shareholders today and is furthermore available on the Company's website at www.clhg.com.

Capitalised terms referred to in this announcement have the same meaning as defined in the Circular.

2. ARRANGEMENTS IN RELATION TO THE 2008 B-BBEE TRANSACTION AND RELATED BEE FUNDING

In 2008, City Lodge entered into the B-BBEE Transaction in terms of which the Injabulo Trust, the UJ Education Trust and Vuwa, through each of their respective wholly-owned SPVs, acquired 6,390,365 shares in City Lodge (representing 14.7% of the current issued share capital of City Lodge).

The B-BBEE Transaction is unfortunately materially out of the money. The current value of the BEE SPVs shareholding is ZAR161 million against the current amount outstanding of the BEE Funding of ZAR750 million. In the context of the current market backdrop and operating conditions, it is extremely unlikely that there will be equity value in the B-BBEE Transaction by the debt maturity date of 31 January 2021.

As part of the B-BBEE Transaction, the BEE SPVs issued the A preference shares and the B preference shares to Standard Bank ("the Funder"), and subsequently, supported by the guarantee from City Lodge, raised loan funding from the Funder as part of the BEE Funding. The Funder has required that, should City Lodge successfully complete its proposed Rights Offer, an amount equal to the estimated BEE Funding amount as at 31 January 2021 (being ZAR774 million) be placed in a deposit account with the Funder to enable City Lodge to discharge its liability on or before 31 January 2021.

As the BEE SPVs do not have funds to follow their rights as part of the Rights Offer, it has been agreed separately between City Lodge and each BEE SPV that they will undertake what is known as a "tail-swallow" whereby they will sell rights allocated to them and use the proceeds to follow their remaining rights. This arrangement is cash neutral to the BEE SPVs and will have no financial effect on City Lodge or its Shareholders. This will enable the BEE SPVs to reduce the degree of dilution of their percentage holding in the share capital of City Lodge.

City Lodge has furthermore entered into agreements with each of the BEE Participants and their respective SPVs, with a view to providing an orderly and convenient procedure for the wind-down of the B-BBEE Transaction on or before 31 January 2021.

BEE ownership is an imperative for City Lodge, and the Group remains committed to continually improving its broad-based black economic empowerment (BBBEE)

credentials within its South African operations, and maintaining an overall rating of at least a Level 4 B-BBEE contributor under the amended tourism sector codes which would provide the Company with a 100% procurement recognition. It is the intention of City Lodge to use the BEE Shares to establish a new B-BBEE transaction, implementation of which will be subject to the necessary Shareholder approvals.

3. NOTICE OF GENERAL MEETING AND DISTRIBUTION OF THE CIRCULAR

The Circular will be distributed to Shareholders today, 22 June 2020 and will contain the relevant notice to convene the General Meeting to be held at 10:00 on Tuesday, 21 July 2020.

In the backdrop of the COVID-19 pandemic and subsequent impact in South Africa, as well as the general uncertainty occasioned by this and the related restrictions imposed by the South African Government on public gatherings and the implementation of distancing measures, thereby limiting the ability of Shareholders to participate in the General Meeting, the General Meeting will be convened with these measures in key focus. The General Meeting will therefore take place by way of electronic participation.

Full details of the electronic participation is set out in the notice of General Meeting also issued today.

4. SALIENT DATES AND TIMES

The salient dates and times in relation to the General Meeting are as follows:

	2020
Record Date to be eligible to receive the Circular	Friday, 12 June
Date of issue of Circular	Monday, 22 June
Last Day to Trade to participate in and vote at the General Meeting	Tuesday, 7 July
Voting Record Date to participate in and vote at the General Meeting	Friday, 10 July
Written notice to participate electronically in the General Meeting to be delivered in line with the guidance provided in the Circular	Friday, 17 July
Proxy Forms to be lodged with the Transfer Secretaries as soon as possible for administrative purposes only, (preferably by 10:00), but in any event before the proxy exercises any rights of the City Lodge Shareholder appointing the proxy at the General Meeting	Friday, 17 July
General Meeting to be held at 10:00	Tuesday, 21 July
Results of General Meeting released on SENS	Tuesday, 21 July
Results of General Meeting published in the South African press	Wednesday, 22 July
Exemption application to the TRP to obtain the Rights Offer Waiver	Wednesday, 22 July
Last day to request the Takeover Special Committee to review the TRP Waiver Exemptions	Wednesday, 29 July

Notes:

1. The above dates and times are subject to amendment. Any such material amendment will be released on SENS and published in the South African press.
2. No orders to dematerialise or rematerialise Shares will be processed from the Business Day following the Last Day to Trade up to and including the Voting Record Date, but such orders will again be processed from the first Business Day after the Voting Record Date.
3. The certificated register will be closed between the Last Day to Trade and the Voting Record Date.

The Board of Directors of the Company accepts responsibility for the information contained in this announcement and certifies that, to the best of their knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the importance of the information.

Johannesburg

22 June 2020

Financial Advisor, Bookrunner and Transaction Sponsor to City Lodge



Legal Advisor to Standard Bank

ALLEN & OVERY

Independent Corporate Advisor to the Independent Board of City Lodge



South African Legal Advisor to City Lodge



International Legal Advisor to City Lodge



Transfer Secretaries

