
FoneWorx Holdings Limited
Incorporated in the Republic of South Africa
(Registration number 1997/010640/06)
Share code: FWX ISIN: ZAE000086237
("FoneWorx" or "the Company")

**SPECIFIC REPURCHASE OF FONEWORX SHARES, SPECIFIC ISSUE OF FONEWORX
SHARES AND CAUTIONARY ANNOUNCEMENT**

1. Introduction

Shareholders are advised that FoneWorx has entered into an agreement ("Purchase Agreement") with the Industrial Development Corporation of South Africa Limited ("IDC"), for the specific repurchase by FoneWorx of 40 800 612 FoneWorx ordinary shares ("Repurchase Shares") from the IDC at a price equal to the higher of 130 cents per share or a 15% premium to the 30 day volume weighted average traded price per share ("30-day VWAP") over an agreed period up to a maximum of 139 cents per share, subject to the conditions as set out in paragraph 5.1 below ("Specific Repurchase").

As the Repurchase Shares constitute approximately 30% of the share capital of FoneWorx, the IDC is considered to be a related party in terms of paragraph 10.1(b)(i) of the Listings Requirements of the JSE Limited ("JSE"). Due to the Specific Repurchase being effected at a premium to the 30-day VWAP, a fairness opinion is required by an independent professional expert ("independent expert") acceptable to the JSE. The opinion of the independent expert will be included in the circular to be distributed to FoneWorx shareholders as set out in paragraph 6 below.

In addition, shareholders are advised that FoneWorx has entered into an agreement ("Subscription Agreement") with the Isaac Kirsh Family Trust No. 2 and the William Kirsh Family Trust collectively referred hereinafter as the "Kirsh Family", for the specific issue by FoneWorx of 40 800 612 FoneWorx ordinary shares ("Subscription Shares") to the Kirsh Family for a consideration equal to the price per share to be paid by the Company to the IDC for the Repurchase Shares in terms of the Purchase Agreement, subject to the conditions as set out in paragraph 5.2 below ("Specific Issue").

Furthermore, the Kirsh Family shall be entitled at any time, for a period of six months following the fulfilment of the conditions precedent set out in the Subscription Agreement, to require the Company to repurchase all the Subscription Shares from the Kirsh Family ("Put Option"). The price per share payable in respect of the Put Option shall be equal to the price per share paid by the Company to the IDC for the Repurchase Shares in terms of the Purchase Agreement subject to a maximum of 133 cents per share, plus agreed interest and less any dividends received by the Kirsh Family in respect of the Subscription Shares.

2. Rationale

Following discussions held with the IDC whereby it was established that the Repurchase Shares do not constitute a long-term strategic investment for the IDC, the board of directors of FoneWorx ("the Board") believes that it is in the best interest of the Company to buy back the Repurchase Shares and to effect the Specific Issue to the Kirsh Family. The Specific Issue forms part of a new envisaged strategic direction for the Company and it is considered that FoneWorx's current businesses, in addition to pursuing their existing market leading growth strategies, will be complementary to the anticipated new strategic direction.

3. Effective date of the Specific Repurchase and the Specific Issue

The effective date of the Specific Repurchase will be the date on which the consideration will be discharged in cash by FoneWorx from the Company's existing cash resources, being on or about 18 September 2012.

The effective date of the Specific Issue will be the date on which the consideration will be discharged in cash by the Kirsh Family to FoneWorx following the Specific Repurchase.

4. Pro forma financial effects

The *pro forma* financial effects of the Specific Repurchase, the Specific Issue and the Put Option on the reported financial information of FoneWorx will be announced to shareholders in due course.

5. Conditions precedent

5.1 The Specific Repurchase is conditional upon the fulfilment of the following, *inter alia*, conditions precedent:

- the obtaining of all regulatory approvals required for the implementation of the Specific Repurchase, including, without limitation approvals from the JSE and the Takeover Regulations Panel ("Panel");
- the Specific Repurchase being approved by FoneWorx shareholders in a general meeting; and
- payment being made to the IDC to effect the transfer of shares by not later than 5 October 2012.

5.2 The Specific Issue is conditional upon the fulfilment of the following, *inter alia*, conditions precedent:

- within ten days after the date of signature of the Subscription Agreement, the Company obtaining written irrevocable undertakings from shareholders of the Company holding, in aggregate, not less than 55 792 813 FoneWorx ordinary shares:
 - to vote in favour of all ordinary and special resolutions at a general meeting convened to approve the Specific Repurchase, the Specific Issue and the Put Option; and
 - not to dispose of or encumber any of their FoneWorx ordinary shares or to take any action or make any statement which may be prejudicial to the success of the adoption of the resolutions.
- the obtaining of all statutory or regulatory opinions, reports and approvals required for the implementation of the Specific Repurchase, Specific Issue and the Put Option, including, without limitation the JSE, the Panel and the Companies Act by not later than 15 October 2012;
- the Specific Repurchase, Specific Issue and the Put Option being approved by FoneWorx shareholders in a general meeting by not later than 15 October 2012;
- within ten days after the date of signature of the Subscription Agreement, the requisite resolutions in terms of section 38 of the Companies Act being adopted by the board to allot and issue the Subscription Shares and to authorise the appropriate entries to be made in the allotment register and shareholder's register of the Company;
- the listing of the Subscription Shares on the JSE being approved by the JSE by not later than 30 October 2012; and
- the Purchase Agreement becoming unconditional in all respects with its terms and the Specific Repurchase being implemented by not later than 30 October 2012.

6. Circular to FoneWorx shareholders

A circular containing full details of the Specific Repurchase, Specific Issue and the Put Option, and incorporating a notice to convene a general meeting of FoneWorx shareholders in order to consider and, if deemed fit, to pass with or without modification, the resolutions necessary to approve and implement the Specific Repurchase, Specific Issue and the Put Option, will be sent to FoneWorx shareholders in due course.

7. Cautionary announcement

Further to paragraph 4 above, shareholders are advised to exercise caution when dealing in FoneWorx's securities until a further announcement, incorporating the *pro forma* financial effects and additional details in respect of the strategic development between FoneWorx and the Kirsh Family, is made.

Johannesburg
12 July 2012

Sponsor
Merchantec Capital

Legal Advisers to the Kirsh Family
edward nathan sonnenbergs Inc