

AFRIMAT LIMITED

Incorporated in the Republic of South Africa

(Registration number: 2006/022534/06)

Share code: AFT

ISIN: ZAE000086302

("Afrimat" or "the Company" or "the Group")



ACQUISITION OF THE GRAVENHAGE MANGANESE MINING RIGHT

1. INTRODUCTION

Shareholders are advised that on 20 May 2021, the Company entered into an agreement ("**Agreement**") with Aquila Steel (S Africa) Proprietary Limited and Rakana Consolidated Mines Proprietary Limited ("**the Sellers**"), in terms of which the Company will purchase 100% of the Gravenhage manganese mining right and associated assets ("**Assets**") from the Sellers ("**Acquisition**").

2. DESCRIPTION OF THE ASSETS

Gravenhage is a long-life near-development manganese resource situated approximately 50 km's north of Hotazel and approximately 120 km's from Afrimat's existing Demaneng mine. It is one of the last independently owned, undeveloped manganese deposits in South Africa. It is situated in the northern region of the globally important Kalahari Manganese Field. A definitive feasibility study was finalised confirming the technical and economic feasibility of the Gravenhage manganese project based on an initial open cut operation with the potential for subsequent underground mining. The resource and its significant potential has been well defined by continued exploration drilling.

3. RATIONALE FOR THE ACQUISITION

This expansion into manganese is a continuation of Afrimat's bulk commodities growth and diversification strategy. Gravenhage's proximity to Afrimat's existing iron ore operations in the Northern Cape provides operational and logistical synergies. The successful development of Gravenhage will increase Afrimat's scale in the ferrous-metal value chain and its exposure to foreign currency denominated earnings.

This investment deepens Afrimat's commitment to supporting the South African economy through enabling job creation, skills development, social upliftment in surrounding communities, as well as stimulating healthy growth of the local economy in the Northern Cape.

4. PURCHASE CONSIDERATION

The purchase consideration is payable by Afrimat to the Sellers in cash following fulfilment or waiver of the Conditions Precedent (as defined below), which date may be extended by the parties in writing. The purchase consideration of USD45,0 million and ZAR15,0 million ("**Purchase Consideration**"), respectively, is structured and will be paid as set out below:

- A first tranche payment in ZAR equivalent to USD30,0 million plus a contribution amount of ZAR15,0 million relating to the purchase of the property payable on the 10th business day following fulfilment or waiver of the Conditions Precedent.
- A second tranche payment in ZAR equivalent to USD15,0 million at the earlier of:
 - the entry into one or more transactions with a third party (other than a related party) which will result in Afrimat (or the Afrimat nominee) holding (directly or indirectly) less than 50% interest in the mining right; and
 - 12 months after the date on which manganese ore or iron ore (excluding any discard material pertaining to such ore) recovered from the mining area is first delivered to the product stockpile containing such types of ore, a facility for processing or any location outside of the mining area.

5. CONDITIONS PRECEDENT

The Acquisition is subject to the fulfilment of the following outstanding conditions precedent (“**Conditions Precedent**”):

- Approval in terms of section 11 of the Mineral and Petroleum Resources Development Act No. 28 of 2002;
- Competition Commission approval;
- Grant of Water Use License application; and
- Approval of the Chinese State-owned Assets Supervision and Administration Commission of the State Council for the sale of the Assets and the assumption of the assumed liabilities as contemplated in the Agreement having been obtained by Aquila Steel (S Africa) Proprietary Limited.

The Conditions Precedent must be fulfilled by no later than 17h00, 15 calendar months after the signature date, being 20 August 2022.

6. EFFECTIVE DATE OF THE ACQUISITION

The Effective Date of the Acquisition is the 10th business day following the date on which the Conditions Precedent are fulfilled.

7. FINANCIAL INFORMATION

The Assets are currently in the pre-development phase and Afrimat considers the Purchase Consideration to be a fair representation of the pre-development fair value of the Assets. In addition, no profits can be attributable to the Assets given its pre-development state.

Afrimat has satisfied itself with the quality of the financial information disclosed.

8. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

The Agreement contains representations and warranties by the Seller in favour of the Company which are standard for a transaction of this nature.

9. CLASSIFICATION OF THE ACQUISITION

The Acquisition constitutes a category 2 transaction in terms of the JSE Limited Listings Requirements.

10. OTHER

The Company confirms, for purposes of paragraph 9.16 of the JSE Limited Listings Requirements that nothing in the constitutional documents of Gravenhage will, in any way, frustrate or relieve the Company from compliance with the JSE Limited Listings Requirements.

Cape Town
21 May 2021

Sponsor
PSG Capital



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