

AFRIMAT LIMITED

Incorporated in the Republic of South Africa

(Registration number: 2006/022534/06)

Share code: AFT

ISIN: ZAE000086302

("Afrimat" or "the Company")



ACQUISITION OF GLENOVER PHOSPHATE PROPRIETARY LIMITED

1. INTRODUCTION

1.1. Shareholders are hereby advised that on 8 December 2021 ("**Signature Date**"), Afrimat entered into –

1.1.1. a Sale of Assets agreement ("**Sale of Assets Agreement**") with Glenover Phosphate Proprietary Limited ("**Glenover**"). in terms of which Afrimat agreed to acquire (either itself or via a nominated subsidiary) from Glenover certain assets including principally the right to mine the vermiculite deposit ("**Vermiculite Mining Right**") and certain deposits of phosphate rock located at the Glenover Mine ("**Inventory Deposits**"), owned by Glenover (the "**Sale Assets**"), for a purchase consideration as set out in paragraph 4 below; and

1.1.2. a Sale of Shares agreement ("**Sale of Shares Agreement**") with Ferminore Proprietary Limited, Galileo Resources South Africa Proprietary Limited, Galagen Proprietary Limited (collectively, the "**Shareholders**") and Glenover, in terms of which agreement, read with the previously concluded heads of agreement dated 4 November 2020, Afrimat has the option ("**Option**"), in its discretion, to purchase 100% of the issued ordinary shares in Glenover ("**Sale Shares**") from the Shareholders together with all claims that the Shareholders may have against the Company ("**Sale Claims**"), for a purchase consideration as set out in paragraph 4 below, (collectively, the "**Acquisition**").

2. DESCRIPTION OF GLENOVER

Glenover is located 90km northwest of Thabazimbi in the Lephalale Municipality in the Limpopo province. Glenover currently owns a prospecting right over the property it owns to mine high-grade phosphate, vermiculite and rare earth elements. Current reserve statements provide for a resource life of more than 20 years. Afrimat will obtain the Inventory Deposits of historically mined resources and can extend the life of project by acquiring the remaining *in situ* resource by exercising the Option and implementing the Sale of Shares Agreement.

3. RATIONALE FOR THE ACQUISITION

3.1. The Acquisition will expand Afrimat's product offering to include a new future mineral segment in support of its greater diversification strategy.

3.2. Glenover reduces Afrimat's exposure to the ferrous metals value chain by providing a multi-commodity product, which addresses fundamental needs and trends including the agriculture and food industry, as well as new technology applications. Furthermore,

Glenover has the ability to provide minerals into various sectors, i.e. fertilisers and magnets for electric motors. This provides Afrimat with a new platform for growth whilst at the same time reducing cyclicity.

- 3.3. The Acquisition further bolsters Afrimat's commitment to the South African economy, enabling job creation, skills transfer and training, food security, social upliftment in surrounding communities, and ensuring South Africa is a player in the world stage for minerals used in future technology applications.

4. PURCHASE CONSIDERATION

- 4.1. The total purchase consideration payable by Afrimat for the Sale Assets and (should the Option be exercised) the Sale Shares and Sale Claims, is R550 000 000, allocated as follows:

- 4.1.1. R250 000 000 (excluding value added tax) is payable by Afrimat to Glenover for the Sale Assets ("**Sale Assets Purchase Consideration**") which shall be settled as follows –

- 4.1.1.1. R215 100 000 shall be settled in cash; and

- 4.1.1.2. R34 900 000 shall, at the election of Glenover, be settled in cash or the issuing of shares in the issued share capital of Afrimat ("**Afrimat Shares**") to Glenover, which, in the case of the latter, shall be settled based on the 30-day volume weighted average price at which Afrimat Shares traded on the JSE on the Vermiculite Mining Right Effective Date; and

- 4.1.2. should the Option be exercised, R300 000 000 will be payable by Afrimat to the Shareholders for the Sale Shares ("**Sale Shares Purchase Consideration**") which shall be settled as follows –

- 4.1.2.1. 50% of the Sale Shares Purchase Consideration shall, at the election of Afrimat, be split between a cash payment and the issuing of Afrimat Shares to the Shareholders; and

- 4.1.2.2. 50% of the Sale Shares Purchase Consideration shall, at the election of the Shareholders, be split between a cash payment and the issuing of Afrimat Shares to the Shareholders.

- 4.2. The portion of the Sale Shares Purchase Consideration to be settled in Afrimat shares, if any, will be settled based on the 30-day volume weighted average price at which Afrimat's shares traded on the JSE Limited prior to the Sale of Shares Effective date.

- 4.3. The current expectation is that the total Purchase Consideration and all project expenditure will be funded from the Company's robust balance sheet and strong future cash flow generation.

5. SUSPENSIVE CONDITIONS

- 5.1. The Sale of Assets Agreement is subject to the fulfilment of the following outstanding suspensive conditions -

- 5.1.1. in respect of the sale of the Vermiculite Mining Right ("**Vermiculite Outstanding Conditions**"):

- 5.1.1.1. by no later than 15 June 2022, the mining right to mine certain minerals on the property known as Farm Glenover 371 L.Q. ("**Mining Right**") has been granted to Glenover; and
- 5.1.1.2. by no later than 15 June 2022, the Water Use License Application ("**WULA**") has been granted and a period of 30 days have lapsed since the date of grant of the WULA without any appeal having been lodged against the grant thereof.
- 5.1.2. There are no outstanding suspensive conditions in respect of the sale of the Inventory Deposits.
- 5.2. The Sale of Shares Agreement is subject to the fulfilment of the following outstanding suspensive conditions ("**Sale of Shares Outstanding Conditions**"):
 - 5.2.1. by no later than 15 June 2022, the Mining Right has been granted;
 - 5.2.2. by no later than 15 June 2022, the WULA has been granted and a period of 30 days have lapsed since the date of grant of the WULA without any appeal having been lodged against the grant thereof;
 - 5.2.3. by no later than 28 February 2023, the approval in terms of the Competition Act No. 89 of 1998, if required, has been granted, either unconditionally or subject to conditions which have been approved in writing by Afrimat;
 - 5.2.4. by no later than 15 June 2022, the approval of the amended Glenover's memorandum of incorporation by Glenover, Afrimat and the Shareholders is obtained to be filed with the CIPC;
 - 5.2.5. by no later than 31 May 2023, the consent of the Minister of the Department of Mineral Resources and Energy for the application in terms of section 11 of the Mineral and Petroleum Resources Development Act No. 28 of 2002, has been granted, either unconditionally or on terms and conditions which are reasonably acceptable to Afrimat;
 - 5.2.6. the shareholders of Galileo Resources PLC (to the extent required by the Alternative Investment Market Rules of the London Stock Exchange) have approved the sale of the Sale Shares in terms of the Sale of Shares Agreement by the 15 June 2022; and
 - 5.2.7. Afrimat has, in its sole discretion, exercised the Option by 15 June 2022 or, if an extension has been granted, by 10 November 2022.
- 5.3. Afrimat, Glenover and the Shareholders shall collectively be entitled to waive compliance with, or extend the date for fulfilment of, the Vermiculite Outstanding Conditions and the Sale of Shares Outstanding Conditions, save for those conditions which are regulatory in nature and which may be extended but not waived.

6. EFFECTIVE DATE OF THE ACQUISITION

The effective date of -

- 6.1. the sale of the Vermiculite Mining Right shall be the first day of the month following the month in which the last of the Vermiculite Outstanding Conditions has been fulfilled, which is anticipated as being 1 July 2022 ("**Vermiculite Mining Right Effective Date**");
- 6.2. the sale of the Inventory Deposits and other Glenover assets is the Signature Date; and
- 6.3. the Sale of Shares, subject to the Option being exercised, shall be the first day of the month following the month in which the last of the Sale of Shares Outstanding Conditions is fulfilled or waived, which is anticipated as being 1 July 2023 ("**Sale of Shares Effective Date**").

7. FINANCIAL INFORMATION

- 7.1. Glenover is currently not operational and all income received was derived from a limited sale of phosphate rock inventories. No profits have been attributed to the Sale Assets for the year ended 30 June 2020, being the date of the last audited annual financial statements of Glenover.
- 7.2. The value of the Sale Assets as at 30 June 2020, being the date of the last audited annual financial statements of Glenover, was R27 720 046.
- 7.3. The net asset value of Glenover as at 30 June 2020, being the date of the last audited annual financial statements of Glenover, was R38 010 927.
- 7.4. The audited loss after tax attributable of Glenover for the year ended 30 June 2020 was R642 929, based on the audited annual financial statements of Glenover, which were prepared in terms of IFRS for SME's.

8. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

The Sale of Assets Agreement and the Sale of Shares Agreement contains representations and warranties by the parties in favour of each other, which are standard for a transaction of this nature.

9. CLASSIFICATION OF THE ACQUISITION

The acquisition of the Sale Assets taken on its own, falls below the threshold for a categorizable transaction in terms of the JSE Listings Requirements. Should the Option in future be exercised by Afrimat, the acquisition of the Sale Shares and Sale Claims will be categorised at that point and is expected to then result in the Acquisition being deemed a category 2 transaction (on an aggregated basis). Notwithstanding this, in order to provide shareholders with a complete picture, Afrimat has chosen to already now disclose the information relating to the entire Acquisition as though this is a category 2 acquisition.

10. OTHER

In the event that the Option is exercised and the Sale Shares are acquired, the Company confirms, for purposes of paragraph 9.16 of the JSE Limited Listings Requirements, that nothing in the constitutional documents of Glenover will, in any way, frustrate or relieve the Company from compliance with the JSE Limited Listings Requirements.

11. UPDATE

The Coza Mining (Pty) Ltd (“**Jenkins**”) and Nkomati Anthracite (Pty) Ltd (“**Nkomati**”) projects have been successfully implemented, allowing the business development team, together with the respective operational teams, to focus on the new Gravenhage mining right (“**Gravenhage**”) and Glenover projects. Recent results regarding both the quality and quantity of resources coming from the Nkomati and Jenkins projects are exceeding expectations, with good cash flow as a result. Furthermore, Gravenhage’s project implementation and optimisation plan continues as envisaged, while the regulatory conditions precedent are outstanding.

On 12 November 2021, Afrimat acquired the shares in Agri Lime (Pty) Ltd and Stony Lime (Pty) Ltd (collectively “**Agri Lime**”) and related assets for a purchase consideration of R63 000 000, respectively. The opencast mine and plant is located close to the town of Northam in Limpopo. Acquiring Agri Lime, a feedlime producer, has strengthened Afrimat’s footprint in the agricultural lime market, which supports the growth strategy of the Industrial Minerals segment.

These exciting developments and new acquisitions will be planned and executed in accordance with cash generation of the Afrimat Group.

Cape Town
9 December 2021

Sponsor
PSG Capital

