

ETION LIMITED

(Incorporated in the Republic of South Africa)

(Registration Number: 1987/001222/06)

(Share Code: ETO)

(ISIN: ZAE000097028)

("Etion" or "the Company" or "the Group")

ETION

FIRM INTENTION ANNOUNCEMENT REGARDING THE STRATEGIC PLAN OF ETION TO UNLOCK SHAREHOLDER VALUE BY ETION, COMPRISING THE REPURCHASE OF ETION SHARES FROM ETION SHAREHOLDERS AND THE DELISTING OF ETION FROM THE JSE

1. INTRODUCTION

- 1.1. Etion shareholders ("**Shareholders**") are referred to the announcement published on SENS on 7 September 2022 in terms whereof Shareholders were informed that pursuant to the successful conclusion of the Company's strategic plan to unlock shareholder value by selling off the operating entities, Etion would distribute the net proceeds received to Shareholders in the most efficient manner.
- 1.2. Shareholders are advised that following the successful conclusion of the Company's strategic plan to unlock shareholder value, the board of directors of Etion ("**Etion Board**") has resolved to proceed with the Scheme (as defined in paragraph 2.1.1) and Delisting (as defined in paragraph 2.1.2).

2. THE ETION SCHEME AND AGTERSKOT PAYMENT

- 2.1. Shareholders are hereby advised that, subject to the fulfilment of the Scheme Conditions (as defined in paragraph 4.4), Etion will:
 - 2.1.1. repurchase all the ordinary shares held by the Shareholders (but for the Remaining Shareholder as defined below) ("**Scheme Participants**"), by way of a scheme of arrangement in terms of sections 114 and 115 of the Companies Act, No. 71 of 2008, as amended (the "**Companies Act**") and paragraph 5.69 of the JSE Listings Requirements ("**Scheme**"), for a cash scheme consideration of 55.58 cents per Scheme share ("**Scheme Shares**");
 - 2.1.2. be delisted from the JSE following the implementation of the Scheme ("**Delisting**");
 - 2.1.3. following the Delisting, make payment of an agterskot payment to the Scheme Participants of their respective *pro rata* share of two contingent amounts, to the extent such amounts become due and payable and are received by Etion, as more fully described in paragraph 5 ("**Contingent Amounts**").
- 2.2. Garlotrim Proprietary Limited, a concert party with Etion for purposes of the Scheme, has agreed to remain a Shareholder ("**Remaining Shareholder**") to ensure all administrative aspects of the Company are effectively executed following the Delisting, and will ensure the Company is accordingly wound up and deregistered

(pursuant to the Company discharging all known obligations, tax and all the costs associated with winding up the Company) and the payment of the Contingent Amounts, as applicable, to Etion Shareholders.

- 2.3. The purpose of this announcement (“**Firm Intention Announcement**”) is to provide Shareholders with detailed information regarding the terms and conditions of the Scheme.

3. RATIONALE FOR THE SCHEME

- 3.1. The strategy of the Company’s Board, as adopted in 2020, was to unlock value for Shareholders by selling off the operating entities of the Company as the market capitalisation of the Etion Group, at the time, was trading at a significant discount to the underlying intrinsic value of the operating entities when viewed as a whole.
- 3.2. Following the implementation of, 1) the disposal of Law Trusted Third Party Services Proprietary Limited, Etion Connect Proprietary Limited and Etion Create Proprietary Limited and receipt by Etion of the proceeds relating to the aforementioned disposals 2) the disposal of the shares in Parsec Properties Proprietary Limited and receipt of the disposal proceeds 3) the exit of the head office lease and settlement of amounts due as full and final discharge of the Company’s liability, the Scheme and Delisting are the final steps in the strategy of the Etion Board adopted in 2020 to unlock value to Shareholders.
- 3.3. The Board has thus proposed that Etion use its available cash, (including the proceeds from the disposals set out in paragraph 3.2, but excluding all amounts required to settle all known obligations of the Company, tax and all the costs associated with winding up the Company), to repurchase all of the Scheme Shares (which excludes the 100 Etion shares held by the Remaining Shareholder).
- 3.4. Ultimately, the Scheme will result in the delisting of Etion from the JSE, allowing the Remaining Shareholder to focus on the administrative steps associated with, amongst other things, the payment of the Contingent Amounts to the Scheme Participants *pro rata* to their shareholding (to the extent such amounts become due and payable and are received by Etion and subject to compliance by the Company of the requirements of its memorandum of incorporation (“**MOI**”) and the Companies Act), and the voluntary winding up or deregistration of Etion, at the relevant time.
- 3.5. The Etion Board, including the Independent Board (as defined in paragraph 4.3), believe that the Scheme is in the best interest of Shareholders and should unlock significant value, as the total anticipated value of 55.58 cents per Scheme Share, being an aggregate Scheme consideration of approximately R313 717 359.

4. SALIENT TERMS AND MECHANICS OF THE SCHEME

4.1. Implementation of the Scheme

- 4.1.1. The Scheme will be proposed by the Etion Board between Etion and all Shareholders (excluding the Remaining Shareholder).

4.1.2. The Scheme Participants shall receive the cash scheme consideration of 55.58 cents per Scheme Share repurchased from the relevant Scheme Participant by Etion.

4.1.3. The Scheme is subject to the Scheme Conditions set out below.

4.2. **Classification**

4.2.1. The Scheme will involve the repurchase of the Scheme Shares from the Scheme Participants by way of a scheme of arrangement requiring shareholder approval in terms of sections 114 and 115 of the Companies Act and the Companies Regulations, 2011, promulgated under the Companies Act, as amended from time to time ("**Companies Regulations**").

4.2.2. As the Scheme constitutes a scheme of arrangement in terms of section 114, it also qualifies as an "*affected transaction*" as defined in section 117(1)(c)(iii) of the Companies Act.

4.2.3. Consequently, the Scheme is regulated by the Companies Act and the Companies Regulations and requires the approval of the Takeover Regulation Panel established in terms of section 196 of the Companies Act ("**TRP**").

4.2.4. The Etion Scheme also constitutes a specific repurchase of securities in terms of the JSE Listings Requirements. Accordingly, Etion is required to comply with paragraph 5.69 of the JSE Listings Requirements. The JSE has provided an exemption to Etion for compliance with paragraph 5.69(b) of the JSE Listings Requirements, which requires approval by shareholders (save for shareholders and their associates who are participating in the repurchase). The JSE has provided the exemption as the voting requirements for a scheme of arrangement under the Companies Act differs from the voting requirement for a specific repurchase under the JSE Listings Requirements and including both would create an anomalous situation. As a result, all Shareholders but for the Remaining Shareholder will be entitled to vote on the resolution approving the Scheme.

4.3. **Independent Board and Independent Expert's Report**

Etion has constituted the Independent Board for purposes of the Scheme, comprising of Martie Janse van Rensburg, Steve Naude and Zuziwe Ntsalaze ("**Independent Board**"). The Independent Board has appointed Questco Proprietary Limited as the independent expert ("**Independent Expert**") to prepare a fair and reasonable opinion for Shareholders. The Independent Expert's fair and reasonable opinion, as well as the Independent Board's recommendation to Shareholders in relation to the Scheme, will be set out in the Circular (as defined in paragraph 7.1) as required in terms of the Companies Act and the Companies Regulations.

4.4. **Scheme Conditions**

The Scheme will be subject to the fulfilment of the following Scheme conditions (“**Scheme Conditions**”):

- 4.4.1. by no later than 4 January 2023, the requisite majority of Etion Shareholders passing the Special Resolution to approve the Scheme, in terms of the Companies Act and Companies Regulations;
- 4.4.1.1. by no later than 18 January 2023, to the extent that the provisions of section 115(2)(c) read together with section 115(3) of the Companies Act become applicable –
 - 4.4.1.1.1. the special resolution to approve the Scheme, being approved by the court unconditionally or, if subject to conditions, Etion confirms in writing that the conditions are acceptable to it;
 - 4.4.1.1.2. the special resolution to approve the Scheme not being set aside by the court; or
 - 4.4.1.1.3. Etion not treating the aforesaid special resolution to approve the Scheme as a nullity in terms of section 115(5)(b) of the Companies Act;
- 4.4.2. the TRP issues a compliance certificate in accordance with section 119(4)(b) of the Companies Act in respect of the Scheme.

4.5. **Cash Confirmation**

In accordance with regulation 111(4) and regulation 111(5) of the Companies Regulations, Etion has provided a cash confirmation, issued by Cliffe Dekker Hofmeyr to the TRP, which confirms that Etion holds sufficient cash resources in terms of regulation 111 of the Companies Regulations to satisfy payment of the maximum possible consideration in respect of the Scheme.

4.6. **Concert Parties**

As at the date of this Firm Intention Announcement, the Remaining Shareholder has irrevocably undertaken, in anticipation of the successful implementation of the Scheme, to act in concert with Etion and remain as the sole shareholder of Etion in order to execute all administrative steps as may be required to wind up Etion and to deregister the Company at the appropriate time, which is expected to follow the payment of the Contingent Amounts to all Scheme Participants (to the extent they become due and payable and are received by Etion).

4.7. **Delisting of the Etion Shares**

Should the Scheme be implemented, the listing of the Etion Shares on the AltX Board of the JSE will subsequently be terminated.

4.8. Tax considerations in relation to the Scheme

- 4.8.1. Etion Shareholders are advised to consult their own tax advisors regarding the tax consequences of the Scheme.
- 4.8.2. A portion of the consideration receivable by Scheme Participants (55.58 cents per Scheme Share) will constitute the return of contributed capital, with the balance being subject to withholding tax of 20% unless the Scheme Participant is exempt under the Income Tax Act, No. 58 of 1962 of South Africa.
- 4.8.3. A summary of the South African tax consequences of the Scheme will be contained in the Circular.
- 4.8.4. Shareholders who are non-resident for tax purposes in South Africa are advised to consult their own professional tax advisors regarding the tax treatment of the Scheme in their respective jurisdictions, having regard to the tax laws in their jurisdiction and any applicable tax treaties between South Africa and their country of residence.

5. AGTERSKOT PAYMENT, CONTINGENT AMOUNTS

- 5.1. Scheme Participants will also have a right to an *agterskot* payment following the Delisting, in accordance with their respective pro rata share of the Contingent Amounts (to the extent the Contingent Amounts become due and payable and are received by Etion), subject to compliance by the Company with the requirements of the MOI and the Companies Act
- 5.2. The Contingent Amounts, being up to a maximum aggregate amount of R17,000,000 (seventeen million Rand), less any tax payable by the Company in respect thereof and costs associated with the receipt and payment of the Contingent Amounts.
- 5.3. Shareholders are advised that there is no guarantee that the Contingent Amounts will become due in full or in part or in a timely manner. The Scheme Participants' entitlement to receive their respective pro rata portion of the Contingent Amounts is entirely dependent on unforeseen circumstances and the Company cannot provide any guarantee as to the payment of the Contingent Amounts to Scheme Participants.
- 5.4. Further details regarding the Contingent Amounts will be contained in the Circular.

6. EXCHANGE CONTROL

The Company has applied for and received the requisite exchange control approval from the Financial Surveillance Department of the South African Reserve Bank for the Delisting.

7. CIRCULAR, IMPLEMENTATION AND SALIENT DATES AND TIMES

- 7.1. The information contained in this Firm Intention Announcement should be read in conjunction with the terms of, and subject to, the disclaimers to be contained in the circular to be distributed to Shareholders regarding the Scheme ("**Circular**"). The

Circular will contain full details of the Scheme, Delisting and payment of the Contingent Amounts (to the extent they become due and payable and are received by Etion) and will incorporate a notice convening the general meeting of Shareholders (“**General Meeting**”) in order to consider and, if deemed fit, to pass, with or without modification, the resolutions set out therein.

- 7.2. The Circular is anticipated to be distributed to Shareholders on or about 2 December 2022 and the General Meeting is anticipated to be on or about 4 January 2023. A copy of the Circular will also be available on SENS and on Etion’s website ([http:// www.etion.co.za](http://www.etion.co.za)) from the date of distribution.
- 7.3. A detailed timetable will be contained in the Circular and be announced on SENS. The implementation date of the Scheme is anticipated to be on or about 6 February 2023.

8. RESPONSIBILITY STATEMENT

- 8.1. The Independent Board individually and collectively accepts full responsibility for the accuracy of the information contained in this Firm Intention Announcement. In addition, the Independent Board certifies that to the best of its knowledge and belief, the information contained in this Firm Intention Announcement solely pertaining to the Company is true and, where appropriate, does not omit anything that is likely to affect the importance of the information contained herein, and that all reasonable enquiries to ascertain such information have been made.
- 8.2. The Board individually and collectively accepts full responsibility for the accuracy of the information contained in this Firm Intention Announcement. In addition, the Board certifies that to the best of its knowledge and belief, the information contained in this Firm Intention Announcement solely pertaining to the Company is true and, where appropriate, does not omit anything that is likely to affect the importance of the information contained herein, and that all reasonable enquiries to ascertain such information have been made.

Pretoria

29 November 2022

Transaction Adviser and Designated Adviser

PSG Capital

