

## INSIMBI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2002/029821/06)

Share code: ISB ISIN: ZAE000116828

("Insimbi" or "the Company")



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### FIRM INTENTION ANNOUNCEMENT IN RELATION TO A SPECIFIC REPURCHASE OF SHARES, CATEGORY TWO DISPOSAL ANNOUNCEMENT AND WITHDRAWAL OF CAUTIONARY

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#### 1. INTRODUCTION

1.1. Shareholders are advised that on 21 June 2024, the Company and its wholly-owned subsidiaries, Amalgamated Metals Recycling (Pty) Ltd ("**AMR**"), Amalgamated Metals Recycling SA (Pty) Ltd ("**AMR SA**"), Amalgamated Metals Recycling West Rand (Pty) Ltd ("**AMR WR**") and Spring Lights 1135 (Pty) Ltd ("**Spring Lights**"), entered into binding agreements ("**Agreements**") in terms of which the Company intends to repurchase a number of listed ordinary issued Insimbi shares ("**Shares**") and dispose of certain business assets owned by its subsidiaries ("**Transaction**").

1.2. The Transaction will comprise of:

1.2.1. the repurchase by Insimbi of 21 065 200 Shares, comprising 5,58% of its total issued shares, from two associated shareholders, namely Crimson Clover Investments (Pty) Ltd (beneficially owned by the JCCD Share Trust) and Crimson Clover Investments 1 (Pty) Ltd (beneficially owned by the JCCD Investment Trust) (collectively referred to as the "**Crimson Clover Shareholders**"), at a repurchase price of R1 per Share, as one indivisible transaction and subject to the fulfilment of certain conditions precedent ("**Crimson Clover Repurchase**");

1.2.2. the disposal by AMR and AMR SA of certain business assets used in connection with the scrap metal trading business operated under the name "*Amalgamated Metals Recycling SA*" at 110 Fourth Street, Booyens Reserve ("**AMR Booyens Business**") to Booyens Buy Back Center (Pty) Ltd ("**BBBC**"), which is an associate of the Crimson Clover Shareholders ("**AMR Booyens Disposal**"), which AMR Booyens Disposal will be inter-conditional upon the implementation of the Crimson Clover Repurchase, as a portion of the repurchase consideration received in terms of the Crimson Clover Repurchase will be used to settle the purchase consideration due in terms of the AMR Booyens Disposal,

(the Crimson Clover Repurchase and the AMR Booyens Disposal, collectively referred to as the "**Crimson Clover Transaction**");

1.2.3. the repurchase by Insimbi of 21 985 200 Shares, comprising 5,83% of its total issued shares, from two other associated shareholders, namely Casterly Rock Investments (Pty) Ltd (beneficially owned by the LSC Share Trust) and Southern Vault Investments 1 (Pty) Ltd (beneficially owned by the LSC Investment Trust), neither of which are related to or associates of the Crimson Clover Shareholders (collectively referred to as the "**Casterly Rock Shareholders**"), at a repurchase price of R1 per Share, as one indivisible transaction and subject to the fulfilment of certain conditions precedent ("**Casterly Rock Repurchase**"); and

1.2.4. the disposal by AMR, AMR WR and Spring Lights of certain other business assets used in connection with the scrap metal trading business operated under the name "*Amalgamated Metals Recycling West Rand*" at 141 Main Reef Road, Manufacta, Roodepoort ("**AMR WR Business**") to West Rand Buy Back Centre (Pty) Ltd ("**WRBBC**") and certain immovable properties to Casterly Rock Properties (Pty) Ltd ("**CRP**"), both of which are associates of the Casterly Rock Shareholders ("**AMR West Rand Disposal**"), which AMR West Rand Disposal will be inter-conditional upon the implementation of the Casterly Rock Repurchase, as a portion of the repurchase consideration received in terms of the Casterly Rock Repurchase will be used to settle the purchase consideration due in terms of the AMR West Rand Disposal,

(the Casterly Rock Repurchase and the AMR West Rand Disposal, collectively hereinafter referred to as the "**Casterly Rock Transaction**").

## 2. RATIONALE FOR THE TRANSACTION

- 2.1. Insimbi acquired the shares in AMR, AMR SA and AMR WR in December 2016 with the intention of creating a larger, more diversified company which would become a more significant player in the recycling sector.
- 2.2. Due to the underperformance of the AMR Booyens Business and the AMR WR Business, Insimbi believes that the disposal of the business assets in terms of the AMR Booyens Disposal and AMR West Rand Disposal (collectively hereinafter referred to as the “**Disposals**”) is in the best interest of the Company.
- 2.3. The Crimson Clover Repurchase and Casterly Rock Repurchase (collectively hereinafter referred to as the “**Repurchases**”) will facilitate the Disposals, as a portion of the repurchase considerations to be paid by Insimbi in terms of the Repurchases, will be used to settle the purchase considerations due in terms of the Disposals.
- 2.4. The Repurchases are considered an appropriate allocation of capital as the impact of the Repurchases and the cancellation and delisting of such repurchased Shares (“**Repurchase Shares**”) are expected to enhance the net asset value per Insimbi Share. The reduction in the number of issued Shares will also have the effect of increasing the holdings of the Company's existing shareholders.

## 3. CLASSIFICATION OF TRANSACTION

- 3.1. The Repurchases will each be a “specific repurchase of shares for cash” in terms of the listings requirements of the securities exchange operated by JSE Limited (“**JSE**”) (“**JSE Listings Requirements**”), requiring the approval of shareholders, excluding the shareholders participating in the Repurchases, (“**Remaining Shareholders**”) by way of special resolutions (achieving 75% of the votes cast in favour thereof). None of the counterparties to the Repurchases are “related parties” of the Company.
- 3.2. Further to the above, each of the Repurchases will, individually, constitute the repurchase of more than 5% of the issued Shares of Insimbi and will accordingly be subject to the provisions of section 48(8)(b) read with the provisions of sections 114 and 115 of the Companies Act, No. 71 of 2008 (“**Companies Act**”) and the Companies Regulations, 2011 (“**Regulations**”). The Repurchases will be regarded as affected transactions in terms of section 117(1)(c)(iii) of the Companies Act and will be regulated by the Takeover Regulation Panel (“**TRP**”). A fair and reasonable opinion is required in respect if the Repurchases in terms of section 114 of the Companies Act.
- 3.3. The AMR Booyens Disposal and the AMR West Rand Disposal will each individually, or collectively if aggregated, be classified as “category 2 disposals” in terms of the JSE Listings Requirements, as the disposal consideration is equal to more than 5%, but less than 30% of the market capitalisation of Insimbi on the date of signature of the Agreements.

## 4. REPURCHASE AND DISPOSAL CONSIDERATIONS

- 4.1. The aggregate repurchase consideration, payable by Insimbi in terms of the Repurchases, is R43 050 400 (“**Repurchase Consideration**”), which will be funded by Insimbi from its available cash resources and facilities, comprising of:
  - 4.1.1. the aggregate repurchase consideration payable by Insimbi to the Crimson Clover Shareholders in terms of the Crimson Clover Repurchase of R21 065 200; and
  - 4.1.2. the aggregate repurchase consideration payable by Insimbi to the Casterly Rock Shareholders in terms of the Casterly Rock Repurchase of R21 985 200.
- 4.2. The aggregate purchase consideration in terms of the AMR Booyens Disposal is R5 660 000, payable in cash by BBBC and the aggregate purchase consideration in terms of the AMR West Rand Disposal is R24 340 000, payable in cash by WRBBC and CRP. Accordingly, the aggregate proceeds which will be received by Insimbi from the Disposals is R30 000 000.

## 5. CONDITIONS PRECEDENT AND EFFECTIVE DATE

- 5.1. The implementation of the Transaction is subject to the fulfilment of the following outstanding conditions precedent on or before 31 August 2024 ("**Conditions Precedent**"):
  - 5.1.1. the shareholders of Insimbi have passed (i) the special resolutions in terms of section 48(8)(b) read with sections 114 and 115 of the Companies Act ("**Section 48(8)(b) Special Resolutions**") and (ii) the special resolutions in terms of the JSE Listings Requirements ("**LR Special Resolutions**"), authorising the Repurchases as contemplated in the Agreements;
  - 5.1.2. the JSE has granted the approvals, consents or waivers as may be required for the Company to implement the Repurchases;
  - 5.1.3. to the extent that the provisions of section 115(2) read with section 115(3) of the Companies Act become applicable:
    - 5.1.3.1. the Section 48(8)(b) Special Resolutions being approved by the Court unconditionally or, if subject to conditions, Insimbi confirms in writing that the conditions are acceptable to it;
    - 5.1.3.2. the Section 48(8)(b) Special Resolutions not being set aside by the Court; or
    - 5.1.3.3. Insimbi not treating the Section 48(8)(b) Special Resolutions as nullities in terms of section 115(5)(b) of the Companies Act; and
  - 5.1.4. within the period prescribed by section 164(7) of the Companies Act, no valid demands (relating to appraisal rights) have been received by the Company from any shareholder of the Company in terms of that section read with section 115(8) of the Companies Act, pursuant to the Section 48(8)(b) Special Resolutions or, if such a demand has been duly delivered, the Company has waived this condition on or before 17h00 on 31 August 2024.
- 5.2. The Conditions Precedent other than the Condition Precedent set out in paragraph 5.1.4 above, are not capable of being waived but the date for fulfilment of any Conditions Precedent may be extended by agreement between the parties to the Agreements.
- 5.3. In order to comply with the Regulations, and specifically regulation 102(13), Insimbi, the Crimson Clover Shareholders and the Casterly Rock Shareholders have agreed that notwithstanding the fulfilment of the Conditions Precedent, the Repurchases shall not be implemented unless and until the TRP has granted all the required approvals and consents and issued a compliance certificate in respect of the Repurchases in terms of section 119(4)(b) of the Companies Act.
- 5.4. The effective date of the Transaction is expected to be on or about the end of August 2024.

## 6. CIRCULAR AND NOTICE OF GENERAL MEETING

- 6.1. A circular to Insimbi shareholders regarding the Repurchases will be distributed on or about 11 July 2024 ("**the Circular**"), once all the relevant regulatory approvals have been obtained.
- 6.2. The Circular shall include:
  - 6.2.1. the full terms and conditions of the Transaction;
  - 6.2.2. the *pro forma* financial effects on the financial position of Insimbi following the implementation of the Transaction and the independent reporting accountants' assurance thereon;
  - 6.2.3. the independent expert's report in respect of the Repurchases;
  - 6.2.4. a notice convening the general meeting of Insimbi shareholders to consider and if deemed fit to approve the special resolutions required to implement the Repurchases ("**Repurchase Resolutions**") ("**General Meeting**"); and
  - 6.2.5. a summary of the Dissenting Shareholders' Appraisal Rights afforded to Insimbi shareholders in terms of the Regulations.
- 6.3. The salient dates and times relating to the Transaction will be included in the further announcement to be released by Insimbi, relating to the distribution of the Circular and the notice of General Meeting.

## 7. CONFIRMATION OF CASH RESOURCES

The Company is required to provide a bank guarantee to the TRP from a South African registered bank unconditionally and irrevocably guaranteeing settlement of the full Repurchase Consideration. The Company has obtained and delivered to the TRP a bank guarantee issued by ABSA Bank Limited for the full Repurchase Consideration, being R43 050 400, in accordance with regulations 101(7)(b)(vi) and 111(4)(a) of the Regulations.

## 8. INDEPENDENT BOARD

- 8.1. The board of directors of Insimbi (the “**Board**”) constituted an independent board in accordance with the Companies Act and Regulations comprising of Robert Dickerson, Cleopatra Ntshingila and Nelson Mwale, (the “**Independent Board**”).
- 8.2. The Independent Board appointed Mazars Corporate Finance as the independent expert (which meets the requirements set out in section 114(2) of the Companies Act) to advise it on the Repurchases and to compile a report in terms of section 114 of the Companies Act to the Independent Board concerning the Repurchases (the “**Independent Expert**”).
- 8.3. The report of the Independent Expert and the Board and Independent Board’s recommendation and opinion will be included in the Circular.

## 9. SOLVENCY AND LIQUIDITY

- 9.1. A resolution has been passed by the Board in terms of section 46 of the Companies Act that having applied the solvency and liquidity test as set out in section 4 of the Companies Act (the “**solvency and liquidity test**”), it has satisfied itself that at the date of the Repurchase Resolutions being passed that it reasonably appears, and it has thus reasonably concluded, that the Company will satisfy the solvency and liquidity test, immediately after implementation of the Repurchases.
- 9.2. Furthermore, in accordance with the JSE Listings Requirements, the Board, having considered the effect of the Repurchases, consider that there are reasonable grounds for believing that:
  - 9.2.1. the Company and its subsidiaries (“the **Group**”) will be able, in the ordinary course of business, to repay their debts for a period of 12 months after the date of issue of the Circular;
  - 9.2.2. the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of issue of the Circular. For this purpose, the assets and liabilities have been recognised and measured in accordance with the accounting policies used in the latest audited Group financial statements;
  - 9.2.3. the share capital and reserves of the Company and the Group shall be adequate for ordinary business purposes for a period of 12 months after the date of issue of the Circular; and
  - 9.2.4. the working capital of the Company and the Group shall be adequate for ordinary business purposes for a period of 12 months after the date of issue of the Circular.

## 10. FINANCIAL INFORMATION

- 10.1. As at 29 February 2024, being the date of the last published audited consolidated annual financial statements of Insimbi for the financial year ended 29 February 2024, the aggregate value of the net assets and immovable properties being sold in terms of the Disposals was R36 203 224.
- 10.2. The aggregate losses attributable to the AMR Booyens Business and the AMR WR Business, in connection with which the net assets being sold in terms of the Disposals are used, for the financial year ended 29 February 2024, was R3 468 130, based on the last published audited consolidated annual financial statements of Insimbi for the financial year ended 29 February 2024, which were prepared in terms of IFRS.
- 10.3. The *pro forma* financial effects of the Transaction, which includes the Disposals will be set out in the Circular.
- 10.4. The *pro forma* financial effects of the Repurchases on the financial position of Insimbi, to assist shareholders in assessing the impact of the Repurchases on, *inter alia*, the earnings per share, headline

earnings per share, diluted earnings per share, diluted headline earnings per share, net asset value per share and tangible net asset value per share, will be included in the Circular.

- 10.5. The TRP provided a dispensation in respect of regulation 106(7)(c)(i) and (ii) of the Regulations by allowing Insimbi to include extracts of its annual financial statements in the Circular, and make complete sets of the annual financial statements available for inspection by Insimbi shareholders during normal business hours at the registered offices of the Company and the sponsor and by referring shareholders to the Insimbi website where the full sets of annual financial statements can be assessed, viewed and downloaded, as opposed to incorporating complete sets of the annual financial statements in the Circular itself.

## 11. EXCLUDED SHAREHOLDERS AND VOTING REQUIREMENTS

- 11.1. In terms of the JSE Listings Requirements the votes of any shareholder and its associates that are participating in a share repurchase, shall be excluded from the special resolutions required to approve the Repurchase in terms of the JSE Listings Requirements. Accordingly, Insimbi Shares held by the Crimson Clover Shareholders (comprising 5,58% of the issued Shares) and the Casterly Rock Shareholders (comprising 5,83% of the issued Shares) (the “**Excluded Shareholders**”) will be excluded from voting on the LR Special Resolutions.
- 11.2. Any Shares held as treasury shares (“**Treasury Shares**”) will be excluded from voting on any resolution at the General Meeting.
- 11.3. The Repurchase Resolutions, as will be set out in the notice of General Meeting, will be subject to the approval of more than 75% of the votes cast by the Shareholders, present in person or represented by proxy at the General Meeting and who are entitled to vote (excluding the Excluded Shareholders and the Treasury Shares) in terms of the Companies Act.

## 12. IRREVOCABLE UNDERTAKINGS

If Insimbi procures any irrevocable letters of undertaking (“**Irrevocable Undertakings**”) from Shareholders to vote in favour of the Repurchase Resolutions required to implement the Transaction, the details of such Irrevocable Undertakings will be disclosed in the Circular.

## 13. RESPONSIBILITY STATEMENTS

- 13.1. The Independent Board, collectively and individually, accept responsibility for the accuracy of the information given in this announcement and certify that, to the best of their knowledge and belief, the information contained in this announcement is true, that no facts have been omitted which would make any statement in this announcement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this Firm Intention Announcement contains all information required by law, the Companies Act, the Regulations, and the JSE Listings Requirements.
- 13.2. The Board collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Firm Intention Announcement contains all information required by law the Companies Act, the Regulations and the JSE Listings Requirements.

## 14. WITHDRAWAL OF CAUTIONARY

Shareholders are referred to the cautionary announcement released on SENS on 13 May 2024 relating to a potential transaction, and are advised that, as the detailed terms of the Transaction have now been disclosed, caution is no longer required to be exercised when dealing in the Company’s securities.

Johannesburg  
21 June 2024

Transaction Advisor and Sponsor  
PSG Capital



PSG CAPITAL