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**TERMINATION OF DISCUSSIONS RELATING TO THE PROPOSED MERGER  
VOLUNTARY SHARE REPURCHASE OFFER  
WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

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**A. TERMINATION OF DISCUSSIONS RELATING TO THE PROPOSED MERGER**

Shareholders are referred to the announcements released on SENS on 3 December 2019 and 20 January 2020 relating to the potential implementation of a merger transaction between Zarclear and African Phoenix Investments Limited ("**African Phoenix**") (the "**proposed merger**").

Whilst the board of Zarclear ("**the Board**") remains of the view that there are strong operational and capital market benefits to the proposed merger, following engagements with shareholders, the Board has determined not at this stage to progress the proposed merger. Instead the Board has decided to proceed with a voluntary share repurchase offer on a basis that will afford all shareholders an ability to monetise their Zarclear shares at R4.40 per share. Accordingly, the discussions relating to the proposed merger have, by mutual agreement between African Phoenix and Zarclear, been terminated.

**B. VOLUNTARY SHARE REPURCHASE OFFER**

**1. Introduction**

Shareholders are advised that the Company intends making an offer to all its shareholders to voluntarily tender for repurchase all, or only a portion thereof, of their existing shareholding in the Company (the "**share repurchase offer**") at an offer price of R4.40 per share (the "**share repurchase offer consideration**").

The share repurchase offer will be made in compliance with the relevant provisions of the Companies Act 71 of 2008 (the "**Companies Act**") and the Takeover Regulations promulgated thereunder (the "**Takeover Regulations**").

**2. Rationale for the share repurchase offer**

During the engagement process with shareholders, many shareholders expressed concerns about the lack of liquidity and the continued substantial discount to NAV at which the Company's shares are trading. There was a strong desire by many shareholders for the Company to return capital to shareholders. The share repurchase offer will allow those shareholders who wish to monetise their shareholding the opportunity to do so at a price that reflects a meaningful premium to the recently traded price of Zarclear shares and will also benefit those shareholders who are committed to the Company's strategy and who remain invested in the Company by an uplift in the Company's NAV. Having regard to commitments given by shareholders holding in excess of 41.21% of the issued shares not to accept the share repurchase offer, the Board is satisfied that post implementation of the share repurchase offer, the Company will continue to have sufficient capital to pursue its stated strategy.

### 3. **JSE and Companies Act requirements for the share repurchase offer**

The share repurchase offer, if accepted by shareholders holding at least 11 303 285 Zarclear shares, will result in Zarclear acquiring more than 5% of the Zarclear shares in issue. Accordingly, in terms of section 48(8)(b) of the Companies Act, the decision of the Board to acquire the Company's shares in terms of the share repurchase offer will be subject to the requirements of section 114 and 115 of the Companies Act which provide, *inter alia*, that the decision must be approved by a special resolution adopted by persons entitled to exercise voting rights on the matter. In addition, Zarclear is also required to obtain a fair and reasonable opinion from an independent expert in terms of the provisions of section 114(3) (as read with section 48(8)(b) and section 115) of the Companies Act.

As the share repurchase offer is a *pro rata* repurchase by Zarclear of its shares from all its shareholders, shareholder approval in terms of the JSE Listings Requirements is not required for the share repurchase offer (save to the extent as required in terms of section 48(8) of the Companies Act).

### 4. **Concert party and other arrangements**

A concert party arrangement has been established amongst Legae Peresec Capital Proprietary Limited, Hampden Capital Proprietary Limited and Zolospan Proprietary Limited (collectively, the “**concert shareholders**”) in relation to any shares beneficially held from time to time by them in Zarclear. As at the date of this announcement, the concert shareholders collectively hold 77 000 000 Zarclear shares representing 34.06% of the total Zarclear shares in issue.

The following shareholders have given written commitment to the Company that they will (i) not to sell their Zarclear shares before closing of the share repurchase offer or any related mandatory offer and (ii) not accept the share repurchase offer or any related mandatory offer:

<b>Shareholder</b>	<b>Number of Zarclear shares</b>	<b>% of issued Zarclear shares</b>
Legae Peresec Capital Proprietary Limited	33 800 000	14.95
Hampden Capital Proprietary Limited	24 500 000	10.84
Zolospan Proprietary Limited+	18 700 000	8.27
SOCGEN ITF Sui Generis PFP H4 QHF	16 173 161	7.15
<b>Total</b>	<b>93 173 161</b>	<b>41.21</b>

### 5. **Concert shareholders mandatory offer**

The share repurchase offer, if accepted by shareholders holding at least 2 122 994 Zarclear shares, will result in the concert shareholders collectively holding 35% or more of the reduced share capital of Zarclear. This would trigger a mandatory offer under section 123 of the Companies Act by the concert shareholders in favour of holders of Zarclear shares at a price of R4.40 per share (a “**mandatory offer**”).

Recognising that all Zarclear shareholders will be receiving an offer to sell their shares for a cash consideration in terms of the share repurchase offer, and to avoid duplication of offers at the same offer consideration, subject to confirmation from the Takeover Regulation Panel (“**TRP**”), the mandatory offer obligation will be discharged through the concert shareholders providing underwrite commitments in relation to the share repurchase offer by guaranteeing (as co-principal debtors) the obligations of Zarclear under the share repurchase offer.

### 6. **Conditions to the share repurchase offer**

The share repurchase offer will be subject to the following conditions precedent:

- 6.1. an independent expert being appointed by Board and providing the Board with an opinion in which the independent expert expresses the view that the share repurchase offer and the share repurchase offer consideration is fair and reasonable to shareholders;

- 6.2. the board unanimously resolving to proceed with the share repurchase offer in accordance with section 48(2) as read with section 46 of the Companies Act;
- 6.3. the share repurchase offer being approved by the requisite majority of Zarclear shareholders in terms of the Companies Act;
- 6.4. to the extent necessary, the securing of any approval required by the Competition Authorities in terms of the Competition Act 89 of 1998, as amended;
- 6.5. the conclusion of an underwrite agreement between the Company and the concert shareholders and that agreement becoming unconditional in its terms;
- 6.6. the concert shareholders, prior to the issue of the circular regulating the share repurchase offer, providing an unconditional confirmation and/or bank guarantee to the TRP in accordance with Regulations 111(4) and 111(5) of the Takeover Regulations.

## 7. **Appointment of an independent board and an independent expert**

In accordance with the provisions of the Companies Act and the Takeover Regulations, an independent sub-committee of the Board, comprising at least 3 directors of Zarclear (“**independent board**”), will be formed for purposes of considering the share repurchase offer and the mandatory offer.

The independent board will appoint an independent expert, as required in terms of the Takeover Regulations to advise and report to the independent board on the share repurchase offer by way of a fair and reasonable opinion. The independent expert’s full report, as well as the independent board’s opinion on the share repurchase offer and the share repurchase offer consideration, will be included in the circular to be posted to shareholders.

## 8. **Documentation and timing in relation to the share repurchase offer**

Full details of the share repurchase offer will be set out in a combined offer circular which will be distributed by Zarclear to its shareholders in due course, and will include the opinion of the independent expert in respect of the share repurchase offer, a notice of general meeting of Zarclear shareholders to approve the share repurchase offer and the applicable salient dates and times relating to the share repurchase offer.

This announcement does not constitute an offer, undertaking or firm intention to make an offer by the concert shareholders to Zarclear shareholders.

## 9. **Withdrawal of cautionary**

Zarclear shareholders are advised that caution is no longer required to be exercised in their dealings in Zarclear shares.

28 February 2020

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**Corporate advisor and sponsor to Zarclear**

**JAVACAPITAL**