

AFRICAN PHOENIX INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1946/021193/06)

("African Phoenix")



ZAR CLEAR HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2000/013674/06)

("Zarclear")

JOINT ANNOUNCEMENT OF AFRICAN PHOENIX'S BINDING OFFER TO ACQUIRE ALL OF ZAR CLEAR'S ISSUED ORDINARY SHARES NOT OWNED BY AFRICAN PHOENIX

1. INTRODUCTION

Holders of Zarclear ordinary shares ("**Ordinary Shareholders**") and shareholders of African Phoenix are advised that on 28 February 2022, African Phoenix delivered to the Board of Zarclear a binding offer pursuant to which African Phoenix has offered to acquire all of the issued ordinary shares in Zarclear ("**Ordinary Shares**") other than those Ordinary Shares held by African Phoenix ("**Excluded Shareholder**"), in terms of a scheme of arrangement ("**Scheme**") which is described in paragraph 4 below. If the Scheme becomes operative, participants therein will receive seven ordinary shares in African Phoenix for one Ordinary Share held in Zarclear ("**Consideration Shares**") (collectively, the "**Proposed Transaction**").

2. RATIONALE FOR THE PROPOSED TRANSACTION

2.1 The strategic benefits of the Proposed Transaction are numerous and compelling. Some of these benefits are outlined below:

2.1.1 It will eliminate the cross-holding structure in terms of which African Phoenix currently holds *circa* 29% of the Ordinary Shares in Zarclear and Zarclear holds *circa* 24% of the ordinary shares in African Phoenix.

2.1.2 It will significantly reduce the administrative costs associated with operating two separate public companies as well as general cost reductions resulting from greater economies of scale.

2.1.3 It will result in a larger balance sheet.

2.1.4 Zarclear will benefit from African Phoenix's excellent Black Economic Empowerment credentials.

2.1.5 It will result in the diversification of the asset base of onshore and offshore assets.

2.1.6 Both companies have complementary portfolios.

3. **INFORMATION ABOUT AFRICAN PHOENIX**

- 3.1 African Phoenix is a public investment holding company with approximately 6,000 shareholders. It has a NAV of approximately ZAR1.2 billion and holds a 29% stake in Zarclear.
- 3.2 African Phoenix's primary aim is to create and sustain long-term value and to invest in assets over a three-to-five-year horizon.
- 3.3 Its primary investment focus is a portfolio of equity interests in listed and unlisted companies achieving above average returns.
- 3.4 It will have a secondary investment focus of holding cash, bonds, debt instruments, derivatives, collateralised notes and fund participations.
- 3.5 African Phoenix is not expected to pay any dividends before June 2024.

4. **THE SCHEME**

4.1 **Overview of the Scheme**

- 4.1.1 In order to give effect to the offer to acquire the Ordinary Shares, the Scheme between Zarclear and the Ordinary Shareholders other than the Excluded Shareholders ("**Scheme Participants**") will be proposed by the board of directors of Zarclear ("**Zarclear Board**") in terms of section 114(1)(c) as read with section 115 of the Companies Act, 2008 ("**Companies Act**") and Chapter 5 of the Companies Regulations, 2011 ("**Companies Regulations**").
- 4.1.2 The Scheme will, subject to obtaining the approval of the Takeover Regulation Panel ("**TRP**") required for the publishing of the Scheme Circular (as defined in paragraph 7 below), be proposed by the Zarclear Board, on the terms and conditions to be set out in the Scheme Circular.
- 4.1.3 The Scheme is subject to the fulfilment or waiver, as the case may be, of the Scheme Conditions set out in paragraph 4.4 below.

4.2 **Scheme Consideration and Effects**

- 4.2.1 If the Scheme becomes operative, the Scheme Participants will receive the Consideration Shares in the following manner:
 - African Phoenix will acquire all of the Ordinary Shares held by Scheme Participants ("**Scheme Shares**") (free of encumbrances) for a consideration per Scheme Share ("**Scheme Consideration**") consisting of seven AP Consideration Shares ("**Scheme Share Consideration**").
- 4.2.2 The Scheme Consideration represents a premium of 6% to Net Asset Value ("**NAV**") based on the following:
 - (A) African Phoenix NAV as at 31 January 2022 of 87.9c per share; and
 - (B) Zarclear NAV at 31 January 2022 of 580c per share.

4.3 **Scheme Shares Confirmation**

- 4.3.1 African Phoenix confirms, in accordance with Regulation 101(7)(b)(vii) of the Companies Regulations, that it has sufficient authorised but unissued African Phoenix Ordinary Shares available to settle the Scheme Share Consideration.

4.4 **Scheme Conditions**

- 4.4.1 The Scheme will be subject to the fulfilment or, where applicable, waiver of each of the following conditions precedent ("**Scheme Conditions**"):
 - (A) the special resolution approving the Scheme ("**Scheme Resolution**") having been approved in accordance with section 115(2) of the Companies

Act by the requisite 75% majority of votes exercised on the Scheme Resolution;

- (B) either:
- (1) no Ordinary Shareholder having validly exercised its Appraisal Rights; or
 - (2) if Appraisal Rights are validly exercised as aforesaid, they are not exercised in respect of more than 2.5% (two point five per cent) of the Ordinary Shares not held by the Excluded Shareholders;
- (C) if the Scheme Resolution is opposed by 15% (fifteen per cent) or more of the voting rights exercised on the Scheme Resolution and, within 5 (five) Business Days after the vote, any person who voted against the Scheme Resolution requires Zarclear to seek approval of a South African court of competent jurisdiction ("**Court**") in terms of section 115(3)(a) as read with section 115(5)(a) of the Companies Act, the Court having approved the implementation of the Scheme Resolution;
- (D) if any person who voted against the Scheme Resolution applies to Court for a review of the Scheme Resolution in terms of section 115(3)(b) and section 115(6) of the Companies Act, either: (i) the Court having declined to grant leave to that person for a review of the Scheme Resolution; or (ii) if leave for a review of the Scheme Resolution is granted by the Court, the Court having declined to set aside the Scheme Resolution in accordance with section 115(7) of the Companies Act;
- (E) African Phoenix shareholder approval is obtained for the issue of the Scheme Consideration Shares, which constitutes more than 30% of the voting rights of African Phoenix; and
- (F) the following approvals, authorisations, consents, exemptions, clearances or confirmations of non-opposition, from the following governmental authorities which are necessary in terms of any applicable laws ("**Regulatory Approvals**") to implement the Scheme having been duly obtained:
- (1) a compliance certificate issued by the TRP to Zarclear in terms of Section 121(b) of the Companies Act ("**TRP Compliance Certificate**");
 - (2) such approvals granted by the Competition Commission, the Competition Tribunal and/or the Competition Appeal Court as are required in terms of the Competition Act 89 of 1998; and
 - (3) any other Regulatory Approvals required by applicable law in any country in which African Phoenix and/or Zarclear operates businesses,

in each case either unconditionally or, to the extent that any Regulatory Approval is subject to any obligation, undertaking, condition or qualification, African Phoenix shall have confirmed in writing that such obligation, undertaking, condition or qualification is acceptable to African Phoenix and Zarclear shall not unreasonably withhold or delay such confirmation.

- 4.4.2 African Phoenix and Zarclear shall each use their reasonable endeavours to procure the fulfilment of the Scheme Conditions as soon as reasonably practicable.

- 4.4.3 The Scheme Conditions must be fulfilled or, where waiver is permitted, waived by no later than 31 May 2022, or such later date as may be agreed by Zarclear and African Phoenix in writing ("**Long Stop Date**"). If the Long Stop Date is extended, the amended date will be released on the companies' respective websites and, if required, published in the South African press.
- 4.4.4 African Phoenix is entitled to waive the Scheme Conditions referred to in paragraphs 4.4.1(B), 4.4.1(C) and 4.4.1(D), by notice in writing delivered to Zarclear. The Scheme Conditions in paragraphs 4.4.1(A) and 4.4.1(F) cannot be waived.
- 4.4.5 An announcement will be released on the companies' respective websites and, where required, published in the South African press as soon as possible after: (i) the fulfilment or waiver, as the case may be, of all of the Scheme Conditions; or (ii) the non-fulfilment of any Scheme Condition.

5. **TERMINATION EVENTS**

The Offer will terminate with immediate effect and all rights and obligations of Zarclear and African Phoenix under the Offer shall cease only in the following circumstances:

- 5.1 on written notice of termination by African Phoenix to Zarclear if:
 - 5.1.1 the Independent Board: (i) withdraws, modifies or qualifies its recommendation to vote in favour of the Scheme Resolution; and/or (ii) does not express and maintain a majority view that the Scheme Consideration is fair and reasonable to Ordinary Shareholders; or
 - 5.1.2 an insolvency event has occurred in respect of Zarclear or any material member of the Zarclear group;
- 5.2 on written notice of termination by Zarclear to African Phoenix if an insolvency event has occurred in respect of African Phoenix; or
- 5.3 on written notice of termination by one Party to the other if it has been finally determined that it would be illegal to implement all or a material part of the Scheme.

6. **OPINION OF THE INDEPENDENT BOARD AND INDEPENDENT EXPERT**

- 6.1 Zarclear has, in accordance with Companies Regulation 108(8), constituted an independent board ("**Independent Board**"), comprising: (i) Fatima Vawda; (ii) Paul Baloyi; and (iii) Zolani Matthews, to consider the Scheme Consideration.
- 6.2 The Independent Board is in the process of appointing an independent expert ("**Independent Expert**") for purposes of preparing an opinion in respect of the Scheme Consideration, in accordance with the Companies Regulations and the Companies Act ("**Independent Expert Report**").
- 6.3 The Independent Expert Report and views and recommendations of the Independent Board will be included in the Scheme Circular.

7. **SCHEME CIRCULAR**

- 7.1 Zarclear and African Phoenix will issue a combined offer circular setting out the full terms and conditions of the Scheme and including the notice convening the general meeting to consider the Scheme Resolution ("**Scheme Circular**").
- 7.2 The Scheme Circular is expected to be published on website on or about 5 April 2022. A further announcement relating to the publication of the Scheme Circular, further important details related to the Scheme and the salient dates and times will be published on website in due course.

8. **ZARCLEAR BOARD RESPONSIBILITY STATEMENT**

The Zarclear Board (to the extent that the information relates to Zarclear) collectively and individually accept responsibility for the information contained in this announcement and certify that, to the best of their knowledge and belief, the information contained in this announcement relating to Zarclear is true and this announcement does not omit anything that is likely to affect the importance of such information.

9. **AFRICAN PHOENIX BOARD RESPONSIBILITY STATEMENT**

The board of directors of African Phoenix (to the extent that the information relates to African Phoenix) collectively and individually accept responsibility for the information contained in this announcement and certify that to the best of their knowledge and belief, the information contained in this announcement relating to African Phoenix is true and this announcement does not omit anything that is likely to affect the importance of such information.

8 March 2022

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