

AFRICAN PHOENIX INVESTMENTS LIMITED

Incorporated in the Republic of South Africa

(Registration number 1946/021193/06)

Share code: AXL ISIN: ZAE000221370

("African Phoenix" or the "Company")



TERMINATION OF DISCUSSIONS RELATING TO THE PROPOSED MERGER DELISTING OF AFRICAN PHOENIX WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

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 African Phoenix and Zarclear Holdings Limited ("**Zarclear**") (the "**proposed merger**").

Whilst the board of African Phoenix ("**the Board**") remains of the view that there are strong operational and capital market benefits to the proposed merger, following engagements with shareholders of the Company, the Board has determined at this stage not to progress the proposed merger. Instead the Board has decided to proceed with a delisting of the Company's shares from trading on the JSE on a basis that its future activities will be hampered and not enhanced by a listing and that a delisting affords all shareholders an ability to monetise their African Phoenix listed shares at fair value. Accordingly, the discussions relating to the proposed merger have, by mutual agreement between African Phoenix and Zarclear, been terminated.

B. DELISTING OF AFRICAN PHOENIX AND FAIR CASH OFFER

1. Introduction

- 1.1. The Board has resolved that, subject to securing the requisite shareholder and regulatory approvals, it would be in the best interests of African Phoenix and its shareholders to seek a delisting of Company's shares from the Main Board of the JSE under the voluntary delisting regime provided for under the JSE Listings Requirements (the "**delisting**").
- 1.2. In compliance with the JSE Listings Requirements, the delisting must be accompanied by an offer (that an independent expert has confirmed to be fair to shareholders) which is to be made to holders of all African Phoenix's listed securities, being the A ordinary shares (the "**AXL shares**").
- 1.3. The Company has procured a commitment from Legae Peresec Proprietary Limited ("**Legae Peresec**" or the "**offeror**"), which currently holds (directly or indirectly) c.33.45% of the issued AXL share capital of the Company, in terms of which, subject to the delisting being approved in accordance with all regulatory requirements, Legae Peresec will make a cash offer to purchase all AXL shares from any shareholder who, post the approval of the delisting, either cannot or does not wish to continue to hold African Phoenix shares in an unlisted structure, at an offer price of 40 cents per AXL share ("**the offer**").
- 1.4. Legae Peresec is a 51% black owned company.
- 1.5. The offer will be made in compliance with the relevant provisions of the JSE Listings Requirements and Chapter 5 of the Companies Act 71 of 2008 (the "**Companies Act**") and the Takeover Regulations promulgated thereunder (the "**Takeover Regulations**").

1.6. The delisting and the offer will be implemented on the basis that shareholders will be afforded an opportunity to either monetise their investment in African Phoenix shares at a fair price or to continue to hold shares in African Phoenix in an unlisted environment.

2. **Rationale for the delisting**

The Board is of the opinion that African Phoenix's listing on the JSE no longer benefits the Company due to:

- 2.1. the significant costs and expenses associated with the listing;
- 2.2. poor market ratings achieved by small capitalisation investment holding companies;
- 2.3. the Company's private equity strategy being best served in an unlisted environment; and
- 2.4. legacy issues and ongoing uncertainty related to African Phoenix which will continue to hamper the Company as a listed entity.

3. **Shareholder approval**

The delisting will be conditional on securing the approval of more than 50% of the votes of all shareholders present or represented by proxy at a general meeting, excluding any controlling shareholder, its associates and any party acting in concert, and any other party which the JSE deems appropriate, being cast in favour of such delisting resolution.

4. **Legae Peresec Mandatory offer**

The offer, if accepted by shareholders holding at least 22 118 583 AXL shares, will result in Legae Peresec acquiring AXL shares equal to or exceeding 35% of the issued share capital of African Phoenix. In consequence, a mandatory offer will be triggered by Legae Peresec in favour of holders of AXL shares. Subject to Board being satisfied that a price of 40c per AXL share is fair to shareholders of the Company (excluding Legae Peresec) and the Board has been so advised by an independent expert appointed for this purpose, the Board will propose the delisting to the Company's shareholders on the basis that Legae Peresec will make an offer to all AXL shareholders at a price of 40 cents per AXL share. This offer will be in fulfilment of the offer obligations imposed by both paragraph 1.15 of the JSE Listings Requirements and the mandatory offer provisions of the Companies Act and Takeover Regulations.

5. **Conditions to the delisting and the offer**

The delisting and offer will be subject to the following conditions precedent:

- 5.1. an independent expert being appointed by African Phoenix (that is acceptable to the JSE), advising the Board that the offer consideration of 40 cents per AXL share is fair;
- 5.2. the Board unanimously resolving to proceed with the delisting and confirming that the offer is fair;
- 5.3. the delisting being approved by the requisite majority of African Phoenix shareholders in terms of the JSE Listings Requirements;
- 5.4. 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;

- 5.5. the conclusion of a transaction implementation agreement with Legae Peresec and that agreement becoming unconditional in its terms; and
- 5.6. the offeror, prior to the issue of the circular regulating the delisting and 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.

6. 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 African Phoenix (“**independent board**”), will be formed for purposes of considering the offer.

The independent board will appoint an independent expert, as required in terms of the Takeover Regulations (and the JSE Listings Requirements) to advise and report to the independent board on the 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 offer and offer consideration, will be included in the circular to be posted to African Phoenix shareholders.

7. Ability to proceed with the offer

The offeror has confirmed to the Board that the offeror is ready, willing and able to proceed with the offer and that it has sufficient funds to fully satisfy the cash offer commitment.

8. Documentation and timing in relation to the delisting and the offer

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

This announcement does not constitute an offer, undertaking or firm intention to make an offer by Legae Peresec to African Phoenix shareholders.

9. Withdrawal of cautionary

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

28 February 2020

Transaction sponsor and corporate advisor to African Phoenix

JAVACAPITAL