



CONSISTENTLY DELIVERING

Afrimat Limited
Registration no: 2006/022534/06
Physical address: Tyger Valley Office Park No. 2,
Cnr. Willie van Schoor Avenue &
Old Oak Road, Bellville, 7530
Postal address: P.O. Box 5278, Tyger Valley, 7536
Telephone: 021 – 917 8840
Fax: 021 – 914 1174
Email: info@afrimat.co.za
Website: www.afrimat.co.za

Strictly private and confidential

The Directors (“UCP Board”)
Unicorn Capital Partners Limited
First floor, Building 8
Inanda Greens Office Park
Wierda Road West, Wierda Valley
Sandton, 2196

20 July 2020

Attention: Mr Ralph Patmore

Dear Sirs

CONDITIONAL FIRM INTENTION BY AFRIMAT LIMITED (“Afrimat”) TO MAKE AN OFFER TO ACQUIRE ALL ISSUED ORDINARY SHARES IN UNICORN CAPITAL PARTNERS LIMITED (“UCP”) NOT ALREADY HELD BY AFRIMAT (OR ITS SUBSIDIARIES) OR BY SUBSIDIARIES OF UCP (“Subject Shares”) FROM THE UCP SHAREHOLDERS

1. Introduction

- 1.1. We refer to the non-binding expression of interest submitted by Afrimat to the UCP Board on 22 May 2020 (“**Non-binding Expression of Interest**”), and the subsequent discussions between Afrimat and UCP in connection with such Non-Binding Expression of Interest.
- 1.2. Afrimat confirms that it has completed, to its satisfaction, a legal, financial, tax and commercial due diligence investigation into UCP and its business.
- 1.3. Accordingly, Afrimat is pleased to hereby present to the UCP Board this letter confirming Afrimat’s conditional firm intention to make an offer (“**Conditional Offer**”) to acquire the Subject Shares by way of a scheme of arrangement (“**Scheme**”) in terms of section 114(1)(c) of the Companies Act 71 of 2008 (“**Companies Act**”), subject only to the UCP Board, by no later than 21 July 2020, confirming in writing, by the counter signature and return of a signed copy of this letter to Afrimat, that UCP will cooperate with Afrimat and that the UCP Board will propose the Scheme to UCP shareholders in accordance with the terms of this letter (“**Precondition**”).
- 1.4. Should the Precondition be fulfilled, this Conditional Offer shall automatically become a “firm intention to make an offer”, as contemplated in terms of Chapter V of the Companies Act and the Companies Regulations, 2011 (“**Takeover Regulations**”). Until such time as the Precondition is fulfilled, this letter should not be construed as and does not constitute a “firm intention offer” letter.
- 1.5. The purpose of this letter is to set out the terms and conditions of the Conditional Offer. Should this letter be counter signed and the Precondition be fulfilled, no further agreement need be concluded to undertake the Scheme.

2. Background on Afrimat and rationale

- 2.1. Afrimat is a public company listed on the Johannesburg Stock Exchange (“**JSE**”) with a 33.2% black ownership. Afrimat is primarily engaged in open pit mining, processing and the supply of a broad range of industrial minerals

Executive directors: AJ van Heerden (CEO); PGS de Wit (CFO); C Ramukhubathi
Non-executive directors: MW von Wielligh (CHAIRMAN); L Dotwana; FM Louw; PRE Tsukudu; JF van der Merwe; HJE van Wyk;
JHP van der Merwe; HN Pool; GJ Coffee

and materials to an assortment of industries across Southern Africa. In addition, Afrimat supplies bulk commodities to local and international markets.

- 2.2. We understand that UCP's business comprises of mobile crane hire, exploration drilling services, drilling and blasting, opencast and underground mining and earthmoving operations.
- 2.3. UCP's operations fit the strategy of Afrimat and will provide it with access to commodities that expand its current product offering in the bulk commodities segment.
- 2.4. The Scheme will provide UCP shareholders with an opportunity to convert their illiquid investment in UCP to a more liquid instrument in Afrimat and to gain exposure to a business with exciting growth prospects. Afrimat believes that the transaction will provide UCP shareholders with an opportunity to realise significant and attractive value for their UCP shares.
- 2.5. Afrimat recognises that management and staff have extensive experience in the operational aspects of the business, as well as a deep market knowledge. Afrimat places a high value on its people and believes that retaining personnel within the group would be important for its continued success.
- 2.6. Accordingly, Afrimat believes that the UCP Board should propose the Scheme to its shareholders, especially given the substantial shareholder support it enjoys (see paragraph 8 below).

3. Mechanics and terms of the Scheme

- 3.1. The firm intention offer will be made on the basis that:
 - 3.1.1. the Scheme will constitute an "affected transaction" as defined in section 117(1)(c) of the Companies Act and will be regulated by the Companies Act, the Takeover Regulations and the Takeover Regulation Panel ("TRP");
 - 3.1.2. the Scheme will be implemented in terms of section 114 of the Companies Act and will be proposed by the UCP Board between UCP and its shareholders other than Afrimat (or its subsidiaries) and subsidiaries of UCP holding UCP treasury shares;
 - 3.1.3. the distribution of the circular to UCP shareholders in relation to the Scheme ("Circular") will be subject to conditions precedent set out in paragraph 4 below ("Firm Intention Offer Conditions");
 - 3.1.4. the Scheme will be subject to the conditions precedent set out in paragraph 5 below ("Scheme Conditions");
 - 3.1.5. should the Firm Intention Offer Conditions and all the Scheme Conditions be fulfilled, or where permissible waived, and the Scheme becomes operative, Afrimat will acquire all the Subject Shares in consideration for the issue of new listed Afrimat ordinary shares ("Scheme Consideration"), at a ratio of 1 new Afrimat share for every 280 Subject Shares held with no cash alternative;
 - 3.1.6. the Afrimat shares issued as part of the Scheme Consideration will be listed on the JSE Main Board. Following implementation of the Scheme, UCP will be a wholly-owned subsidiary of Afrimat and will be delisted from the JSE; and
 - 3.1.7. UCP will not declare any dividends or make any other distribution whatsoever to shareholders (including the repayment of shareholder loan accounts) before the Scheme is implemented, nor will it issue any shares whatsoever, whether to existing shareholders or to any other person.

4. Firm Intention Offer Conditions

- 4.1. The posting of the Circular to UCP shareholders will be subject to the fulfilment of the Firm Intention Offer Conditions that, by no later than 31 August 2020:
 - 4.1.1. the Independent Expert (as defined in paragraph 10.1 below) completes and furnishes the requisite opinion in respect of the Scheme, in accordance with section 114 of the Companies Act and regulations 90 and 110 of the Takeover Regulations; and
 - 4.1.2. all requisite approvals have been received from the JSE, the TRP and the Financial Surveillance Department of the South African Reserve Bank for the posting of the Circular, to the extent required.
- 4.2. The Firm Intention Offer Conditions cannot be waived.
- 4.3. Afrimat will be entitled to extend the date for the fulfilment of either or both of the Firm Intention Offer Conditions by up to 30 days, in its sole discretion, upon written notice to UCP, but shall not be entitled to extend the date to a date later than the aforesaid 30-day period without the prior written consent of UCP. In the event that any regulators referred to in paragraph 4.1.2 require more time, then the 30-day period shall be extended by another reasonable period, but will not be extended beyond 31 October 2020 without both parties' consent, which consent will not be unreasonably withheld.

5. Scheme Conditions

- 5.1. The Scheme will be subject to (and will become operative on the relevant operative date upon) the fulfilment of the following conditions precedent:
 - 5.1.1. that the Mpumalanga Economic Growth Agency ("Mega"), as minority shareholder in Nkomati Anthracite Proprietary Limited ("Nkomati"), agrees to the terms of the strategic and mining management agreement with Afrimat, as previously approved by the UCP Board on 20 March 2020, to the satisfaction of Afrimat;
 - 5.1.2. that written consent to the transfer of UCP shares in terms of the Scheme be obtained from the Industrial Development Corporation of South Africa and ABSA Bank Limited (collectively referred to as "**the Lenders**") in terms of the change of control provisions under their respective loan/funding agreements with subsidiaries of UCP and that the Lenders agree not to proceed in foreclosing on outstanding debt due by those subsidiaries;
 - 5.1.3. that, within the time period prescribed in section 164(7) of the Companies Act, UCP shareholders have not exercised appraisal rights, by giving valid demands in accordance with the requirements of sections 164(5) to 164(8) of the Companies Act, in respect of more than 5% of all issued UCP shares;
 - 5.1.4. that the Scheme Resolution is approved by the requisite majority of votes of the UCP shareholders as contemplated in section 115(2) of the Companies Act;
 - 5.1.5. to the extent required in terms of the Companies Act, that the court approves the implementation of the Scheme Resolution;
 - 5.1.6. that 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:
 - 5.1.6.1. leave to apply to court for any such review is refused; or
 - 5.1.6.2. if leave is so granted, the court refuses to set aside the Scheme Resolution;
 - 5.1.7. that all regulatory approvals required to implement the Scheme are obtained, including:
 - 5.1.7.1. the TRP issuing a compliance certificate to UCP in terms of section 121(b) of the Companies Act;



- 5.1.7.2. the relevant competition authorities granting such approvals as are required in terms of the Competition Act, No. 89 of 1998 and other applicable laws to implement the Scheme, either unconditionally or subject to conditions acceptable to Afrimat;
 - 5.1.7.3. the Financial Surveillance Department of the South African Reserve Bank granting such approvals with respect to the Scheme, as are required in terms of the South African Exchange Control Regulations (promulgated in terms of the South African Currency and Exchanges Act No. 9 of 1933) to implement the Scheme, either unconditionally or subject to conditions acceptable to Afrimat; and
 - 5.1.7.4. the JSE granting such approvals (if any) as are required in terms of the JSE Listings Requirements in respect of the Scheme.
- 5.2. The deadline for fulfilment of the Scheme Condition in paragraph 5.1.1 will be 31 October 2020, while all other Scheme Conditions are to be fulfilled by no later than 31 January 2021.
- 5.3. Afrimat may by written notice to UCP, at any time, extend the date for fulfilment of any or all of the Scheme Conditions, provided that any extension by more than 45 days will require the written consent of UCP. In addition, Afrimat may, by written notice to UCP, waive, wholly or in part, the Scheme Conditions set out in paragraphs 5.1.1, 5.1.2, 5.1.3 and, to the extent legally permissible, waive, wholly or in part, any of the other Scheme Conditions.

6. Shareholdings in UCP and acting as principal

- 6.1. Afrimat currently holds 318 417 860 UCP shares via its subsidiary, Afrimat Management Services Proprietary Limited, comprising 27.27% of the issued share capital of UCP.
- 6.2. Afrimat confirms that it is the ultimate prospective purchaser of the Subject Shares and is acting alone and not in concert with any party.

7. Authorised share capital

Afrimat confirms that it has sufficient authorised but unissued share capital available from which to issue the Scheme Consideration shares to UCP shareholders in terms of the Scheme.

8. Irrevocable Undertakings

- 8.1. Afrimat has, on a confidential basis, obtained irrevocable undertakings from JB Private Equity Investors Proprietary Limited, Calibre Investment Holdings Proprietary Limited, Regarding Capital Management Proprietary Limited, Counterpoint Boutique Proprietary Limited and Prescient Management Company (RF) Proprietary Limited, collectively holding 57.04% of UCP's issued share capital, to vote in favour of the Scheme, subject to the terms set out in such irrevocable undertakings.
- 8.2. The Scheme will not require the approval of Afrimat shareholders.

9. Firm intention announcement

- 9.1. Should the Precondition be fulfilled and this Conditional Offer become a "firm intention to make an offer", UCP will be required to release a firm intention announcement containing the requisite details (the responsibility of the independent board of UCP in terms of regulation 101(4)(a) of the Takeover Regulations).
- 9.2. We have prepared the attached wording for this announcement. The announcement will require the approval of the TRP.



10. Process to implement the Scheme

- 10.1. We understand that the UCP Board has appointed an independent board, comprised of three independent-non-executive directors (namely Mr Ralph Patmore, Mr Stephen Naudé and Dr Mdu Gama) ("**Independent Board**"), who will advise UCP shareholders on the firm intention offer, once made. We further note that the Independent Board has appointed Exchange Sponsors as independent expert ("**Independent Expert**") to provide a fair and reasonable opinion in respect of the Scheme.
- 10.2. Afrimat and UCP shall cooperate in the preparation of all documentation required in order to implement the Scheme and shall comply with all reasonable requests for information from their appointed advisors. Without derogating from the generality of the foregoing, UCP will provide its full cooperation, and provide all information requested and reasonably required, in connection with the notification and application by Afrimat to the relevant competition authorities of the merger contemplated by the Scheme.
- 10.3. PSG Capital Proprietary Limited ("**PSG Capital**") will be appointed as the transaction adviser to the Scheme and to draft the relevant Scheme documentation, which will include the Circular in respect of the Scheme, all announcements and all other documentation required in order to implement the Scheme. PSG Capital will project manage the implementation of the Scheme. All joint documentation will be provided to UCP and Afrimat and their advisors for approval. The services rendered by PSG Capital will be for the account of Afrimat.
- 10.4. As this is a friendly proposal and to limit unnecessary expenses, Afrimat proposes that all announcements regarding the Scheme be joint announcements and be signed off by both Afrimat and UCP. Furthermore, Afrimat and UCP will work together on the Circular to be distributed to UCP shareholders, provided that the Independent Board will be entitled to express whatever opinion it deems appropriate in the Circular and the Circular will include as an annexure the Independent Expert's fair and reasonable opinion in connection with the Scheme.
- 10.5. As a listed company, UCP is subject to the provisions of the JSE Listings Requirements regarding announcements (cautionary and detailed). UCP is requested to provide copies of all announcements related to the Scheme to Afrimat for comment prior to their release on SENS.
- 10.6. In the event that the Scheme is proposed to UCP shareholders, but ultimately fails, Afrimat will bear the cost of the preparation and approval of the Circular by the JSE and the TRP, save for the costs of the Independent Expert which shall be borne by UCP (it is a statutory obligation for UCP to appoint an independent expert). Save as aforementioned, each party will bear and pay its own costs and expenses of and incidental to the negotiation, drafting, preparation and implementation of the Scheme and the related documentation.

11. Interim Period

By countersigning this letter, UCP undertakes that it shall not, without the prior written consent of Afrimat (which consent shall not be unreasonably withheld or delayed), during the period from such countersignature up to the implementation date of the Scheme or, should the Scheme for any reason fail, up to the date on which the Scheme so fails, enter into any new agreement or transaction which would qualify as a Category 1 transaction for UCP in terms of the JSE Listings Requirements or which would require UCP shareholder approval, whether under the Companies Act or the JSE Listings Requirements or for any other reason ("**Material Transaction**") or implement any existing Material Transactions.

12. Confidentiality

The contents of this letter (including but not limited to the Scheme Consideration) are strictly confidential, may constitute inside information (as defined in the Financial Markets Act, 19 of 2012) in relation to Afrimat and UCP, and may not be disclosed by UCP to any party whatsoever, except to the extent required by law or to professional advisers and employees who need to know such information, provided that such persons have been made aware of the confidential nature thereof and the contents of this paragraph.



13. Contacts

Any correspondence should kindly be addressed to:

Afrimat Limited
Andries J van Heerden
Chief Executive Officer
+27 21 917 8840 (office)
+27 82 804 7514 (mobile)
andries@afriam.co.za

PSG Capital Proprietary Limited
Riaan van Heerden
Director
+27 21 887 9602 (office)
+27 82 456 7240 (mobile)
riaanvh@psgcapital.co.za

14. Governing law and jurisdiction

This letter is governed by and construed in accordance with the laws of the Republic of South Africa and the parties consent and submit to the non-exclusive jurisdiction of the of the High Court of South Africa, Western Cape Division, Cape Town, for any proceedings arising out of or in connection with this letter.

15. Conclusion

You are kindly requested to sign this letter where indicated below and to return it to us by no later than 21 July 2020.

Yours faithfully


AJ VAN HEERDEN
Chief Executive Officer
Afrimat Limited



By its signature below, UCP confirms that it will cooperate with Afrimat and will propose the Scheme to UCP shareholders in accordance with the terms and conditions of this letter.



Name: Ralph Patmore

Capacity: Non Executive Director

For and on behalf of **UNICORN CAPITAL PARTNERS LIMITED**

Date: 21 July 2020

(Duly authorised)

