

AFRISTRAT INVESTMENT HOLDINGS LIMITED

Incorporated in the Republic of South Africa

Registration number: 1998/013215/06

JSE Code: ATI - ISIN: ZAE000305959

Debt Issuer Code: ATID

Hybrid Issuer Code: ATIG

("Afristrat" or "the Company")



ACQUISITION OF ASSET POOL

1. Introduction

The board of directors of Afristrat ("the Board") is pleased to advise shareholders that with effect from 6 April 2022 ('effective date') Afristrat's wholly-owned subsidiary, ECS Private Equity Proprietary Limited ("ECS Private Equity"), entered into a binding term sheet ("Term Sheet") to acquire, subject to the fulfillment of the conditions precedent set out in paragraph 2.8 below ("Conditions Precedent"), 100% of Crosscorn Proprietary Limited ("Crosscorn"), together with a distressed loan asset pool (collectively, the "Asset Pool") from SATF ("SATF") for a total purchase price of USD5 000 000 ("Purchase Price") ("the Transaction" or "the Acquisition").

2. The Acquisition

2.1. Rationale for the Acquisition

Crosscorn has established itself as the only producer of seeds in the Republic of Botswana ("Botswana") and is largest supplier of maize seeds sold in Botswana. It further produces and sells half of the sorghum seeds, cowpea seeds and animal fodder seeds in Botswana. The acquisition of Crosscorn provides Afristrat with an entry into the agricultural sector to further diversify its asset portfolio and support the path to food security in the Southern African Region.

2.2. Overview of the Transaction

The Asset Pool consists of five distressed loan assets advanced by SATF to various borrowers ("Loan Assets") that are set out in more detail in paragraph 2.3. below, together with the entire share capital of Crosscorn, a company incorporated under the laws of Botswana with registration number UIN BW00000768203 having its registered address at Plot 63511, Unit 3, Block 5, Fairgrounds Office Park, Gaborone, Botswana.

2.3. The Loan Assets

- 2.3.1. A trade finance facility dated 23 February 2016 for the purposes of financing the sale and export of tobacco to Africa by a company incorporated in Greece (the borrower) and made between the borrower and SATF (as lender) with a 50% interest in the outstanding amount of the relevant facility;
- 2.3.2. a restructuring agreement dated 28 February 2019 for the purposes of refinancing a facility in connection with the sale of oil products by a company incorporated in England Wales (the borrower) and made between SATF and a company incorporated in the Republic of Ghana with a 100% interest in the amount of the relevant recovery;
- 2.3.3. a trade finance facility dated 13 August 2014 for the purposes of financing the sale and export of commodities by a company incorporated in the Republic of Tunisia and a company incorporated in England and Wales (as joint and several borrowers) and made between the borrowers and SATF (as lender) with a 100% interest in the outstanding amount of the relevant facility;
- 2.3.4. a loan facility agreement dated 6 January 2016, as amended from time to time, for the purposes of financing the production, sale and export of lead by a company incorporated in the Republic

of Zambia (the borrower) and made between the borrower and SATF (as lender), with 75% interest in the outstanding amount of the relevant facility; and

- 2.3.5. a promissory note evidencing the obligations of a company incorporated in the Republic of South Africa ("**the Issuer**") in relation to financing the sale and export of metal ores by the Issuer and made in favour SATF (as beneficiary), by the Issuer with a 100% interest in the proceeds of the promissory note.

2.4. Purchase Consideration

- 2.4.1. In accordance with the Term Sheet, the Purchase Price shall be settled by a combination of debt and equity, by the issuance of Domestic Medium-Term Notes ("**Notes**") to the value of USD3 500 000 and ordinary shares of Afristrat ("**Shares**") to the value of USD1,500,000 to SATF.
- 2.4.2. The Shares will consist of new shares issued at a price of ZAR1.20, following the share consolidation process in aggregate principal amount equal to the value of USD 1,500,000 as disclosed in paragraph 2.4.1. The number of shares to be issued will be adjusted based on the open rate for the exchange of ZAR against USD published by Bloomberg on www.bloomberg.com/quote/USDZAR:CUR on the issuance date of such Shares.
- 2.4.3. As the Notes and Shares are denominated in South African Rand, the Purchase Price shall be paid in the equivalent amount to the nearest ZAR100 calculated on the day of issuance of such Notes and Shares by reference to the rate determined in paragraph 2.4.2 above.

2.5. The terms of the Notes

- 2.5.1. Each Note shall be listed on the securities exchange operated by the JSE Limited ("**JSE**") and will be denominated in ZAR. The Notes will be issued for a term of 4 years from the date of issue thereof and will be repayable in full in one amount at maturity ("**Redemption Date**"). The Notes will be unsecured, will bear an interest rate of 9% p.a. payable semi-annually in arrears. Each Note will be freely transferrable by the registered owner thereof.

2.6. The terms of the Shares

- 2.6.1. The Shares shall be ordinary shares of Afristrat each listed on the JSE's Main Board under the Financial Services – Speciality Finance sector having ISIN ZAE000305959 and CUSIP ATI). A whole number of Shares shall be issued to nearest 100 (one hundred) Shares of the relevant part of the Purchase Price.
- 2.6.2. The Company has sufficient authorised but unissued shares to settle the share consideration.
- 2.6.3. Accordingly, application will be made to the JSE for the listing of the Shares.

2.7. Terms of the Transaction

- 2.7.1. SATF shall continue to provide a USD3 000 000 working capital facility to Crosscorn on existing terms and condition subject to the further provisions below ("**the Facility**");
- 2.7.2. SATF shall continue to hold Crosscorn shares as nominee for ECS Private Equity until such time as ECS Private Equity shall request otherwise. The availability of the cancellation of the role of nominee of SATF in relation to Crosscorn shares shall be subject to the Facility being repaid in full;
- 2.7.3. ECS Private Equity shall cede its rights under Crosscorn shares in consideration for SATF continuing to provide the Facility to Crosscorn to the extent required by the laws of the Republic of Botswana;
- 2.7.4. ECS Private Equity shall issue its guarantee of the repayment obligations of Crosscorn in relation to the Facility to SATF; and
- 2.7.5. ECS Private Equity shall seek to agree with the management of Crosscorn that such management as ECS Private Equity may determine, acting reasonably, shall be committed to

remain in the employ of Crosscorn for a period of 5 years from the settlement date (the "**Settlement Date**").

- 2.7.6. The Settlement Date will be agreed upon, five business days after the completion of the Conditions Precedent set out below.
- 2.7.7. The transaction documents ("**Transaction Documents**") will contain representations and warranties that are customary for transactions of this size and nature.
- 2.7.8. Each of the Parties shall bear its own expense that are specific to the requirements of the completion of the Transaction. Such expenses shall include all legal expenses involved in the negotiation, preparation and execution of the Transaction Documents.
- 2.7.9. Subsequent to the Acquisition, the memorandum of incorporation of the Crosscorn will be reviewed to ensure that the provisions therein will not prevent Afristrat from complying with its obligations in terms of the JSE Listings Requirements.

2.8. Conditions Precedent

As per the Term Sheet, the Transaction will be subject to the fulfilment of the following Conditions Precedent:

- 2.8.1. negotiation, execution and delivery of satisfactory and mutually acceptable Transaction Documents;
- 2.8.2. absence of any material adverse change in the business, results of operations, conditions or prospects of Afristrat, or any of its subsidiaries or Crosscorn before completion; and
- 2.8.3. receipt of all necessary government, board of directors, investment committee and third-party approvals.

3. Financial Information

The financial information for Crosscorn is set out as follows:

- the value of the audited net liability of Crosscorn that is the subject of the Acquisition as at 30 June 2021 was BWP17.1 million; and
- the audited loss after tax attributable to the net assets for the year ended 30 June 2021 was BWP8.9 million.

The annual financial statements of Crosscorn for the year ended 30 June 2021 were prepared in accordance with International Financial Reporting Standards for Small and Medium sized Entities and the laws of Botswana.

4. Classification of the Transaction

The Acquisition is classified as a Category 2 transaction in terms of the JSE Listings Requirements.

7 April 2022

Pretoria

Sponsor

Merchantec Capital