

AFRIMAT LIMITED

Incorporated in the Republic of South Africa

(Registration number: 2006/022534/06)

Share code: AFT

ISIN: ZAE000086302

("Afrimat" or "the Company" or the "Group")

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OPENING OF ACCELERATED BOOKBUILD AND AN UPDATE ON THE TRADING ENVIRONMENT

INTRODUCTION

Afrimat hereby announces the launch of an equity raising ("**the Equity Raise**") equating to approximately 5% of the Company's current market capitalisation, through the issue of new ordinary shares ("**the Bookbuild Shares**"), subject to pricing acceptable to Afrimat.

The Equity Raise will be offered to qualifying investors (as set out in greater detail in the disclaimers below) and will be implemented through an accelerated bookbuild process ("**the Bookbuild**") which opens with immediate effect and may close at any time thereafter. The Company reserves the right to increase the size of the Bookbuild, subject to demand and pricing.

The Bookbuild Shares will be issued by the Company under and in accordance with its existing general authority to issue shares for cash, granted by shareholders at the annual general meeting of the Company held on 4 August 2021.

RATIONALE AND USE OF PROCEEDS

The primary intention for Equity Raise is to support Afrimat's growth strategy of which the two long-life projects, being the Gravenhage manganese mining right ("**Gravenhage**") and the Glenover project are currently underway.

On 20 May 2021, Afrimat announced that it had agreed to acquire 100% of the Gravenhage manganese mining right and associated assets. The parties are engaging in respect of the final actions to achieve completion of the acquisition. Total project peak funding is estimated at approximately R1.5 billion, with the project expected to contribute to the financial results of the Group in the 2024 financial year.

Gravenhage is a long-life, near-development manganese resource situated approximately 50 km's north of Hotazel and approximately 120 km's from Afrimat's existing Demaneng mine in the northern region of the globally significant Kalahari Manganese Field. A definitive feasibility study was finalised, confirming Gravenhage's technical and economic feasibility based

on an initial open-cut operation, with the potential for subsequent underground mining. The resource, and its significant potential, have been well-defined by continued exploration drilling.

On 9 December 2021, Afrimat announced that it had purchased certain assets and rights to mine select deposits at the Glenover mine, as well as the option to acquire the shares in Glenover from the current shareholders, for a total purchase consideration of R550 million. The Glenover acquisition includes phosphate stockpiles, rare earths and a vermiculite mining right, which positions Afrimat to enter new commodities. The implementation of this acquisition has been staged, and good progress has been made on the follow-up phases of this project.

There are no outstanding conditions precedent in respect of the Inventory Deposits and Vermiculite Mining Right, and payments of R215 million and R35 million for the inventory deposits and the vermiculite mining right respectively were paid in cash to the sellers. Furthermore, the option to acquire the shares in Glenover is subject to the fulfilment of the following outstanding suspensive conditions namely: i) Afrimat's Board approval and ii) Afrimat's sole discretion to exercise the option to purchase 100% of the issued ordinary shares in Glenover from the Glenover shareholders together with all claims that the shareholders may have against Glenover, by 10 November 2022. Afrimat is in the process of undertaking and finalising the feasibility studies, with total peak funding for all phases and projects estimated at R1.5 billion.

In addition to the above, the Company continues to explore appropriate further opportunities as these arise that will fulfil Afrimat's current strategic objectives and support diversification. The equity raise will both partly fund the described growth projects in combination with existing cash flows, and allow for additional balance sheet flexibility.

UPDATE ON TRADING ENVIRONMENT

On 19 May 2022, Afrimat published its financial results for the financial year ended 28 February 2022. The Company delivered strong results on the back of favourable iron ore prices, the turnaround of Nkomati Anthracite, the establishment of the Jenkins mining assets and the return to pre-Covid-19 volumes in the Construction Materials and Industrial Minerals segments. Shareholders are referred to Afrimat's final results announcement released on SENS on 19 May 2022 for a detailed report on the Company's trading environment.

Afrimat remains well-positioned to capitalise on strategic initiatives and future opportunities, and the following operational and financial highlights are emphasised:

- during the 2022 financial year, the Jenkins iron ore mine was successfully ramped up in line with strategic plans and is supplying iron ore to the local market at intended capacities;
- Nkomati Anthracite Mine, where a successful turnaround strategy was implemented to turn it into a profitable state, is contributing positively to the Bulk Commodities segment;
- Glenover has successfully commissioned high-grade phosphate sales, and further test work on the follow-on phases and projects is proving to be positive, but still ongoing;
- the Demaneng iron ore mine continues to produce at a steady state for the export market, with the previously noted train availability issues from Transnet having improved. Since the full year results were released, quantities of iron ore loaded have been steady at an average of approximately 70 000 tonnes per month; and
- Afrimat has a strong balance sheet, is currently ungeared and continues to generate substantial cash, enabling the Group to respond to opportunities and finance capital requirements efficiently.

The Company's iron ore operations are expected to remain profitable even at the lower end of the iron ore commodity cycle, allowing Afrimat to remain resilient to the recent decline in the iron ore price. Inflation and price increases on inputs such as fuel, electricity and explosives are placing pressure on operating costs, which are being actively managed.

THE EQUITY RAISE

The Equity Raise will be offered to qualifying investors (as set out in greater detail in the disclaimers below) and will not be offered to the public in any jurisdiction. The Equity Raise is not an offer to the public as contemplated under the South African Companies Act, No.71 of 2008, as amended (the "South African Companies Act"), having regard to the provisions of section 96(1)(a) and 96(1)(b) of the South African Companies Act.

Pricing and allocations will be decided at the close of the Bookbuild. The timing of the closing of the Bookbuild and the price at which the Bookbuild Shares will be placed ("**Bookbuild Price**") are at the discretion of the Company and Investec Bank Limited ("**Investec**"), acting as sole bookrunner ("**Sole Bookrunner**") for the Equity Raise, pursuant to a placement agreement entered into between the Sole Bookrunner and the Company.

The Company reserves the right to close the Bookbuild at any time.

The Bookbuild Shares, when issued, will be credited as fully paid and will rank *pari passu* in all respects with the existing shares of the Company. Pricing and allocations will be announced as soon as is reasonably practicable following the closing of the Bookbuild.

Investec, the Sole Bookrunner, can be contacted using the contact details included below.

Investec contact details:

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Cape Town

27 July 2022

Sole Bookrunner and Transaction Sponsor

Investec Bank Limited

South African Legal Counsel to the Sole Bookrunner

DLA Piper

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The Equity Raise is made to qualifying investors, outside the United States in reliance on Regulation S being investors to whom the Equity Raise may be lawfully made without having to file or register any offering or related documentation with any securities regulatory authority in any relevant jurisdiction.

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This announcement does not constitute or form a part of any offer or solicitation or advertisement to purchase and/or subscribe for Shares in South Africa, including an offer to the public for the sale of, or subscription for, or the solicitation of an offer to buy and/or subscribe for, shares as defined in the South African Companies Act, and will not be distributed to any person in South Africa in any manner that could be construed as an offer to the public in terms of the South African Companies Act. This announcement does not, nor is it intended to constitute a "registered prospectus" as contemplated in the South African Companies Act.

In South Africa, the Bookbuild will not be an offer to the public as defined in the South African Companies Act and only (i) persons falling within the exemptions set out in section 96(1)(a) of the South African Companies Act or (ii) persons who propose to subscribe, as principal, for shares at a total contemplated acquisition cost equal to or greater than R1 000 000, as envisaged

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This announcement is for information purposes only and in member states of the European Economic Area (other than the United Kingdom), is directed only at, and the Equity Raise will only be made to, persons who are qualified investors (as defined in article 2(1)(e) of EU directive 2003/71/EC (the "Prospectus Directive") and the relevant implementing rules and regulations adopted by each Member State). In the United Kingdom, this announcement is directed only at and the Equity Raise will only be made to, the following persons: (i) investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) who fall within Article 49(2)(A) to(D) of the Order, and (iii) to whom it may otherwise lawfully be communicated, and any investment activity to which it relates will only be engaged in with such persons and it should not be relied on by anyone other than such persons.

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