

Circular Four: To All Known Creditors and Other Affected Persons of Afric Oil Proprietary Limited (Registration Number: 1995/001866/07) (In Business Rescue) (the “Company”)

13 August 2021

Dear Sir/Madam

1. Introduction

- 1.1 On 30 July 2021, the business rescue practitioners (**BRPs**) of Afric Oil Proprietary Limited (‘the **Company**’) published a proposed business rescue plan (the ‘**Plan**’) for the Company.
- 1.2 Subsequent to that, on 30 July 2021 the BRPs issued a notice convening a meeting of creditors in terms of section 151 of the Companies Act, 2008, as amended (the ‘**Companies Act**’) for creditors to consider and vote on the proposed Plan (the ‘**s151 meeting**’).
- 1.3 In addition, the BRPs convened a meeting to consider the offers received from the interested parties as well as meeting of creditors in terms of section 143(3) of the Companies Act for creditors to consider and vote on the approval of the agreement for further remuneration of the BRPs (the ‘**s143 meeting**’).
- 1.4 The s151 meeting, meeting to consider and approve the offers, and s143 meeting were held electronically on 12 August 2021 via the Microsoft Teams due to the Covid-19 lockdown restrictions.
- 1.5 The purpose of this circular is to record the outcomes of;
 - 1.5.1 the s151 meeting in relation to the Plan;
 - 1.5.2 the offers presented to creditors; and
 - 1.5.3 the s143 meeting in relation to the additional remuneration of the BRPs.

2. The s151 meeting

2.1 Adoption of the Plan

- 2.1.1. Creditors considered the Plan and voted on its adoption by proxy forms.
- 2.1.2. The Plan was adopted by 100% of the creditors voting interest and R247,373,342,05 in value.
- 2.1.3. None of the creditors voted against the adoption of the Plan.

2.1.4. Accordingly, the Plan was supported by 100% of the creditors voting interests - all which are independent creditors.

3. Consideration and Approval of Offers by Creditors.

3.1. Approval of Offers by Creditors:

3.1.1. The BRPs tabled the following 3 (three) offers received from 3 (three) interested parties:

3.1.1.1 the first binding offer tabled by the BRPs for consideration and approval by the creditors was from Royale Energy Proprietary Limited (**Royale Offer**) or it's nominee for the acquisition of the entire issued share capital or 100% shareholding in the Company for a nominal amount of R100.00 payable on the effective date or sale of business as a going concern and all assets including all shares in subsidiaries for **R40,000,000.00 (forty million rand)**.

3.1.1.2 the second binding offer tabled by the BRPs for consideration and approval by creditors was from Link Value Lamar Resources Limited (**LVL R Offer**) or it's nominee for the acquisition of the entire issued share capital or 100% shareholding in the Company for a nominal amount of R2,650.00 payable on the closing date as well as claims in the loan account against the Company. In turn, LVL R will lend and advance to the BRPs a loan of **R32,997,250.00 (thirty-two million nine hundred and ninety-seven thousand two hundred and fifty rand)** to settle the business rescue costs and creditors.

3.1.1.3 The third non-binding offer tabled by the BRPs for consideration and approval by the creditors was from Watts Energy Proprietary Limited (**Watts Offer**) for the acquisition of the storage depot known as Boland Diesel situated at Moorreesburg, 42,000,000 litre tanker and rigid for the amount of **R5,880,000.00 (five million eight hundred and eighty thousand rand)**.

3.1.2. Creditors considered all the 3 (three) offers and 100% (R247 373 342,05 in value) of the creditors voting interest voted in favour of the Royale Offer or offer by Royale Energy Proprietary Limited or its nominee for the acquisition of the sale of business as a going concern and all assets including all shares in subsidiaries for **R40,000,000.00 (forty million rand)** subject to the following conditions:

- (i) Adoption of the Plan in terms of section 152 of the Companies Act;
- (ii) approval or acceptance of the offer by the creditors;
- (iii) The UIF as secured creditor to cancel all its existing securities over the Company's movable and immovable assets including all its subsidiaries; and
- (iv) Regulatory approvals including the Competition Commission.

- 3.1.3. one creditor with a voting interest equivalent to 0% and R4,617.95 in value voted against the Royale Offer.
- 3.1.4 Accordingly, it was resolved that the Royale Offer be approved and that the BRPs be mandated to implement the Royale Offer as approved by the creditors.

4. **The s143 meeting**

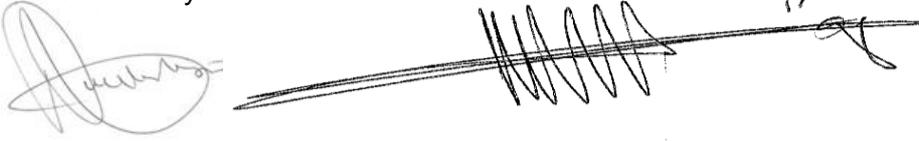
4.1. Approval of the remuneration of the BRPs:

- 4.1.1. Regulation 128 of the Companies Act sets out basic remuneration for a business rescue practitioner. The BRPs have been charging R1 740.00 per hour excluding VAT, as basic remuneration in respect of Phahlani Mkhombo (Mr Mkhombo) and R1 087.00 excluding VAT as basic remuneration in respect of Moses Singo (Mr Singo), since their appointment.
- 4.1.2 During the s143 meeting, the BRPs proposed a motion to creditors that the BRPs be permitted to charge R3 250.00 per hour (excluding VAT) in respect of Mr Mkhombo and R2 250.00 per hour (excluding VAT) in respect of Mr Singo, retrospectively, with effect from the date of their appointment. The motion was put to a vote by creditors. Creditors voted on the motion by proxy form.
- 4.1.3 100% (R213 503 272,17 in value) of the creditors voted in favour of the motion that the BRPs be permitted to charge R3 250.00 per hour (excluding VAT) in respect of Mr Mkhombo and R2 250.00 per hour (excluding VAT) in respect of Mr Singo, retrospectively, with effect from the date of their appointment; and
- 4.1.4 one creditor with a voting interest equivalent to 0% and R4,617.95 in value voted against the motion.
- 4.1.5 Accordingly, the motion to increase the BRPs' remuneration was supported by 100% of the creditors voting interest.

5. **Implementation of the Plan**

- 5.1. In light of the outcomes of the s151 meeting to consider and approve the offers, and s143 meeting, the BRPs will proceed to implement the Plan and the Royale offer, as adopted and approved by creditors and will report to creditors and other affected persons on the implementation of the Plan and the Royale offer.
- 5.2. Creditors and other affected persons of the Company may direct their queries in relation to this circular to africoilbr@gcs-sa.co.za .

Yours Faithfully



Phahlani Mkhombo and Moses Singo

Joint Business Rescue Practitioners

Afric Oil Proprietary Limited (In Business Rescue)

