

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

15 September 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. The s151 meeting, and the meeting to consider and approve the offers were held electronically on 12 August 2021 via the Microsoft Teams due to the Covid-19 lockdown restrictions.
- 1.2 On 12 August 2021, the creditors considered the Plan and voted on its adoption by proxy forms. Consequently, the Plan was adopted by 100% of the creditors voting interest and R247,373,342,05 in value, of which all were independent creditors.
- 1.3 Following on the adoption of the Plan, the BRPs proceeded to table 3 (three) offers received from 3 (three) interested parties to the creditors.
- 1.4 The first binding offer tabled by the BRPs for consideration and approval by the creditors was from Royale Energy Proprietary Limited or its nominee (**“Royale Offer”**) 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)**.
- 1.5 The second binding offer tabled by the BRPs for consideration and approval by creditors was from Link Value Lamar Resources Limited or its nominee (**“LVLR Offer”**) 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, LVLR 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.
- 1.6 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)**.

- 1.7 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 for the acquisition 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.
- 1.8 Consequently, creditors resolved that the Royale Offer be approved and that the BRPs be mandated to implement the Royale Offer as approved by the creditors.

2. Implementation of the Plan and the Royale Offer

- 2.1 Since the adoption of the Plan and the approval of the Royale Offer, the BRPs have been hard at work with the implementation of both the Plan and the Royale Offer as sanctioned by creditors.
- 2.2 Section 152(4) of the Companies Act states that the Plan that has been adopted is binding on the company, and on each of the creditors of the company and every holder of the Company's securities, whether or not such a person was present at the meeting, voted for or against the adoption of the Plan, or in the case of creditors, had proven their claims against the company.
- 2.3 Furthermore, section 152(5) of the Companies Act provides that the company, under the direction of the practitioner, must take all the necessary steps to attempt to satisfy any conditions on which the Plan is contingent on; and implement the Plan as adopted.
- 2.4 The BRPs have had continuous engagements with Royale to satisfy all the conditions of their offer. However, on 27 August 2021, Royale indicated to the BRPs that they would still like or their preference is to still acquire the entire issued share capital or 100% shareholding in the Company and requested the BRPs to engage the shareholders to ascertain whether or not the shareholders will consider disposing their shareholding in the Company.
- 2.3 Consequently, the BRPs approached the shareholders to discuss the acquisition of the entire issued share capital or 100% shareholding in the Company. The discussions culminated in Royale revising

its offer and increasing the offer from **R40,000,000.00 (forty million Rand)** to **R47,000,000.00 (forty-seven million Rand)**. The revised offer is as follows:

- **R12,900,000.00 (twelve million nine hundred thousand Rand)** for the acquisition of all of the issued share capital or 100% shareholding in the Company as well as all the claims on loan account, if any; and
- **R34,100,000.00 (thirty-four million one hundred thousand Rand)** to be advanced to the BRPs to settle the creditors and the business rescue costs in accordance with the adopted Plan.

3. Revised Offer by Royale

3.1 The effective date of the revised offer of **R47,000,000.00 (forty-seven million Rand)** by Royale is 1 October 2021 and is 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) Approval or acceptance of the offer by shareholders;
- (iv) The UIF as secured creditor to cancel all its existing securities over the Company's movable and immovable assets including all its subsidiaries; and
- (v) Regulatory approvals including the Competition Commission.

3.2 The BRPs are of the view that the revised offer of **R47,000,000.00 (forty-seven million Rand)** by Royale is the best offer as compared to liquidation, as it seeks to balance the interest of shareholders, creditors and employees. Section 7(k) of the Companies Act provides that the main objective of business rescue proceedings is to provide for the efficient rescue and recovery of financially distressed companies, in a manner that balances the rights and interests of all stakeholders. The revised offer by Royale seeks to achieve this balance.

3.3 Based on the revised offer by Royale, the shareholders of the Company will be paid **R12,900,000.00 (twelve million nine hundred thousand Rand)** for 100% shareholding in the Company and **R34,100,000.00 (thirty-four million one hundred thousand Rand)** will be used to settle the creditors and the business rescue costs in accordance with the adopted Plan.


4 **Creditors Meeting**

- 4.1 In light of the above and the recent developments, the BRPs would like to invite all creditors to a meeting convened by the BRPs on **Wednesday, 22 September 2021 at 10h00** to update creditors on the revised offer by Royale and for creditors to vote on the revised offer by Royale of **R47,000,000.00 (forty-seven million Rand)**.
- 4.2 The meeting will be held electronically. A Microsoft Teams hyperlink providing access to the meeting will be circulated prior to 22 September 2021. Should you not have received the meeting invite and the Microsoft Teams hyperlink, kindly contact Matimu Mandlhazi at matimu@gcs-sa.co.za before the creditors meeting on 22 September 2021.
- 4.3 The creditors meeting will be followed by a shareholders meeting convened by the BRPs in terms of section 152(3)(c) of the Companies Act. The revised offer by Royale has the effect of altering the rights of the shareholders or the holders of the company's securities. As a result, the BRPs are required in terms of section 152(3)(c) to hold a meeting of shareholders to approve the revised offer by Royale.
- 4.4 To this end, we attach hereto a draft resolution which will be proposed to creditors to vote on during the meeting. Similarly, the BRPs reserve the right to amend and/or supplement the resolution document prior to the commencement of the meeting.
- 4.5 Also attached is a proxy form marked as Annexure A, which creditors can use to vote for or against the revised offer by Royale prior or at the meeting. Creditors are encouraged to submit their completed and signed proxy forms by no later than Tuesday, 21 September 2021 at 17h00 to matimu@gcs-sa.co.za .

5. **Closing Remarks**

- 5.1 The BRPs would like to encourage creditors and other affected persons to submit their questions or comments in relation to the revised offer by Royale before 22 September 2021. The BRPs will attempt to respond or address all the queries before the creditors meeting on 22 September 2021.
- 5.2 All queries regarding the business rescue proceedings of the Company may be addressed to the following email address africoilbr@gcs-sa.co.za.

Yours faithfully,



Phahlani Mkhombo & Moses Singo

Joint Business Rescue Practitioners

Afric Oil Proprietary Limited (In Business Rescue)

