

Updated Covering Note to All Known Creditors and Other Affected Persons of Afric Oil Proprietary Limited (Registration Number: 1995/001866/07) (In Business Rescue) (the “Company”) – In preparation of Meeting of Creditors Scheduled for 12 August 2021

11 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, the BRPs on the same day 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 The s151 Meeting will be held electronically on Thursday, 12 August 2021 at 10h00 via the Microsoft Teams platform due to the lockdown restrictions.
- 1.4 A Microsoft Teams hyperlink providing access to the s151 Meeting was circulated by Matimu Mandlhazi on 30 July 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 s151 Meeting on 12 August 2021.
- 1.5 The purpose of this covering note is to explain in simple terms or simplify the proceedings on 12 August 2021 as well as to summarise the offers received by the BRPs to enable the creditors to prepare for the s151 Meeting.

2. S151 Meeting

- 2.1 The first step would be to hold the s151 Meeting. The main purpose of the s151 Meeting is, firstly for the BRPs to present the published Plan to the creditors and other affected persons, and secondly, for creditors to consider the published Plan and either vote for or against the Plan.
- 2.2 In light of the regulations and measures implemented by the Government of South Africa pursuant to the global outbreak of COVID-19, the s151 Meeting will be held electronically via Microsoft Teams.
- 2.3 Creditors and other holders of voting interest including employees’ representatives are requested to join the meeting at 09h45 to sign the attendance register on the Meeting Chat - by writing their full name and the name of the creditor that they will be representing.
- 2.4 Given the large number of stakeholders, creditors are encouraged to raise questions on the Microsoft Teams Chat during the meeting. The BRPs will attempt to deal with as many questions as possible, however, priority will be given to questions pertaining to the consideration of the Plan and the adoption thereof.

2.5 The s151 Meeting will start at exactly 10h00 and will be chaired by the BRPs. The agenda for this meeting will be as follows:

2.5.1 An introduction of the proposed Plan for consideration by creditors and a presentation of the salient terms and conditions of the Plan.

2.5.2 Confirmation that the Business Rescue Practitioners continue to believe that there remains a reasonable prospect of the Company being rescued as contemplated in the Companies Act.

2.5.3 The consequence for creditors if the Plan is adopted or rejected.

2.5.4 A presentation or address by the employees' representative should they wish to address or make such presentation.

2.5.5 Discussions and conduction of a vote on the following motions:

2.5.5.1 to amend the Plan, in any manner moved and seconded by the holders of creditors voting interests, and satisfactory to the BRPs; or

2.5.5.2 directing the BRPs to adjourn the meeting in order to revise the Plan for further consideration.

2.5.5.3 if no motion in terms of 2.5.5.2 above is put forward or carried, call for a vote for the preliminary approval of the Plan, as amended if applicable.

2.5.5.4 Results of the preliminary vote.

2.5.5.5 Report on the outcome of the vote for adoption of the Plan.

2.6 The voting for or against the adoption of the Plan will be by way of proxy. A proxy form was circulated to all the creditors on 30 July 2021. A proxy form is attached as **Annexure A** for ease of reference. Creditors are encouraged to submit their proxy forms or votes by no later than Tuesday, 10 August 2021 at 17h00 in order to limit the time collating and calculating votes on 12 August 2021.

2.7 Completed and signed proxies can be emailed to matimu@gcs-sa.co.za.

3. **Summary of the Offers**

3.1 A total of 10 (ten) potential bidders initially expressed their interest in a potential transaction involving the Company. All the 10 (ten) interested parties signed a non-disclosure and confidentiality agreement and were granted access to the data room to enable them to conduct a due diligence on the operational, financial and legal aspects of the Company.

3.2 Of the 10 (ten) interested parties, 2 (two) of those formally withdrew their expressions of interest and 3 (three) submitted their offers and the rest of the bidders did not submit or withdrew despite being requested to submit or indicate whether or not they were still interested.

- 3.3 The BRPs received 2 (two) binding offers from 2 (two) interested parties for the acquisition of the entire issued share capital or 100% shareholding in the Company and 1 (one) offer for the acquisition of Boland Diesel and other assets.
- 3.4 The offers can be summarised as follows:
- 3.4.1 The first binding offer received by the BRPs is from Royale Energy Proprietary Limited (**Royale Offer**) or its nominee for the acquisition of the entire issued share capital or 100% shareholding in the Company for a nominal amount of R100.00 or sale of business as a going concern for R40,000,000.00 (forty million rand). In turn, Royale will pay **R40,000,000.00 (forty million rand)** for the assets alternatively, advance R40m to the BRPs in order to settle the business rescue costs and creditors as envisaged in the order of distribution and payment waterfall in the published Plan. Royale has already conducted and concluded its due diligence.
- 3.4.2 The offer by Royale is subject to the following conditions:
- (i) Adoption of the business rescue 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 the shareholders in terms of section 152(3)(c)(ii) of the Companies Act;
 - (iv) The UIF as a secured creditor to cancel all its existing securities over Afric Oil's movable and immovable assets including all its subsidiaries; and
 - (v) Regulatory approvals including the Competition Commission.
- 3.4.3 The remaining terms of the Royale Offer will be explained to, and discussed with, creditors during the meeting.
- 3.4.4 The second binding offer received by the BRPs is from Link Value Lamar Resources Limited (**LVLR Offer**) or its nominee for the acquisition of the entire issued share capital or 100% shareholding in the Company for a nominal amount of R2 650.00 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)** in order to settle the business rescue costs and creditors as envisaged in the order of distribution and payment waterfall in the published Plan. A limited due diligence was conducted by LVLR.
- 3.4.5 The offer by LVLR is subject to the following conditions:
- (i) The business rescue plan is prepared and published for consideration and possible adoption at a meeting of creditors to be convened for this purpose in terms of section 151 of the Companies Act and the business rescue plan is approved by the requisite majority of creditors as required in terms of section 152 of the Companies Act.
 - (ii) the shareholders and LVLR or its nominee, enter into a written sale of shares and claims agreement, pursuant to which the shareholders shall sell the Sale Shares

and Sale Claims (if any) to LVLR or its nominee for an aggregate purchase price of R2650.00.

- (vi) LVLR or its nominee (as lender), Afric Oil or the Company (as borrower) and the BRPs enter into a written loan agreement, pursuant to which LVLR or its nominee agree to lend and advance the Loan to the Company (“Loan Agreement”).
- (vii) All third party and/or regulatory consents, approvals, clearances, exemptions and/or waivers which are necessary or required for the conclusion and implementation of the Sale of Shares and Claims Agreement and the Loan Agreement have been obtained (including, to the extent required, obtaining the approval of FinSurv and the Competition Commission in terms of the merger control provisions of the Competition Act, for the implementation of the Proposed Transaction);
- (viii) The written terminal services agreement concluded between the Company and Vopak Terminal Durban Proprietary Limited on or about 12 February 2016 continues in full force and effect in accordance with its terms, on and with effect from the closing date;
- (ix) The written terminal services agreement concluded between the Company and Vopak Terminal South Africa Developments (RF) Proprietary Limited on or about 17 January 2014 continues in full force and effect in accordance with its terms, on and with effect from the closing date;
- (x) All licenses, permits and certificates required to conduct the business, affairs and operations of the Company (in the manner in which the Company conducted its business, affairs and operations for 12 months period prior to it having commenced business rescue proceedings) will have been obtained;
- (xi) The UIF as secured creditor to cancel all its existing securities over Afric Oil’s movable and immovable assets including all its subsidiaries; and
- (xii) Such other conditions precedent as may be agreed between LVLR and the BRPs which may be necessary or desirable for the conclusion and implementation of the proposed transaction.

3.4.6 The remaining terms of the LVLR Offer will be explained to, and discussed with, creditors during the meeting.

3.4.7 The third non-binding offer received by the BRPs is 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 eight thousand rand)**.

3.5 It should be noted that once the Plan is adopted by the creditors as part of the s151 meeting, the BRPs will then proceed to present the abovementioned offers to the creditors for creditors to consider and vote on the 3 (three) offers referred in 3.4 above.

3.6 Since the last update, the BRPs have continued to engage with both Royale and LVLR in respect of their offers in an effort to discuss and clarify some of the material terms and conditions of their offers. As a result, Royale has slightly amended its offer to incorporate the sale of business as a going concern for **R40,000,000.00 (forty million rand)** as an alternative, should the sale of shares transaction not be supported by the shareholders.

3.63.7 In light of the above, we attach hereto a document with the amended draft resolutions which will be proposed to creditors to vote on during the meeting. Similarly, the BRPs reserve the right to amend and/or supplement the resolutions document prior to the commencement of the meeting.

3.73.8 Also attached is a proxy form marked as **Annexure B**, which creditors can use to vote for their preferred offer prior or at the meeting. Creditors are encouraged to submit their completed and signed proxy forms by no later than Wednesday, 11 August 2021 at 17h00 to matimu@gcs-sa.co.za

4. **Section 143 Meeting – Approval for Further Remuneration for the BRPs**

4.1 On 04 August 2021, the BRPs issued a notice to all the creditors of the Company for a meeting to be held in terms of section 143(3) ('the **s143 Meeting**') of the Companies Act to consider and approve additional remuneration to the BRPs.

4.2 The Section 143 Meeting will be held electronically via Microsoft Teams on 12 August 2021 at 12h00 or immediately after the s151 Meeting and the meeting to consider the offers. A Microsoft Teams hyperlink providing access to the s143 Meeting was circulated by Matimu Mandhazi on 05 August 2021. Should you not have received the meeting invite and the Microsoft Teams hyperlink, kindly contact Matimu Mandhazi at matimu@gcs-sa.co.za before the S143 Meeting on 12 August 2021.

4.3 It should be recognised that the hourly rate prescribed by the tariff in the regulations is not market related and is outdated as it was determined in or about 2011. The current market related hourly rate is between R3 500.00 and R4 500.00 exclusive of VAT.

4.4 In this regard, the BRPs hereby propose an increase in respect of the prescribed tariff rates as set out in Regulation 128 of the Companies Act since its promulgation in 2011 from the prescribed hourly rate of R1 740.00 (exclusive of VAT) to R3 250.00 per hour (exclusive of VAT) in respect of Phahlani Mkhombo and from the prescribed hourly rate of R1 087.00 (exclusive of VAT) to R2 250.00 per hour (exclusive of VAT) in respect Moses Singo.

4.5 The aforesaid increase will be retrospective from the commencement date, being 19 April 2021, until the substantial implementation date and full implementation of the Receivership.

4.6 A proxy form for or against the approval of the additional remuneration is attached marked as **Annexure C**. Creditors are encouraged to submit their completed and signed proxy forms by no later than Tuesday, 10 August 2021 at 17h00 to matimu@gcs-sa.co.za.

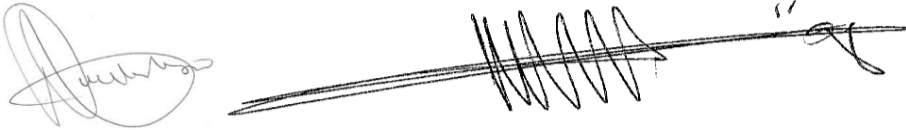
5. **Closing Remarks**

5.1 The BRPs would like to encourage creditors and other affected persons to submit their questions or comments before 12 August 2021. The BRPs will attempt to respond or address all the queries before the s151 Meeting on 12 August 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.

5.25.3 Creditors who have not submitted their completed and signed proxy forms are requested to submit before the S151 Meeting tomorrow, 12 August 2021. The proxy forms are attached for ease of reference.

Yours faithfully,

Two handwritten signatures in black ink. The first signature on the left is cursive and appears to be 'Phahlani Mkhombo'. The second signature on the right is more stylized and appears to be 'Moses Singo'.

Phahlani Mkhombo & Moses Singo

Joint Business Rescue Practitioners

Afric Oil Proprietary Limited (In Business Rescue)

