

PPC Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1892/000667/06)
ISIN: ZAE000170049
Share Code: PPC ZSE code: PPC
("PPC" or the "Company" or the "Group")

PPC DISPOSAL OF PPC LIME LIMITED AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Shareholders of the Company ("**Shareholders**") are referred to the announcement released on the Stock Exchange News Service ("**SENS**") on 31 March 2021 titled 'Restructuring and refinancing project update, operational update and renewal of cautionary announcement' (the "**Restructuring and Refinancing Update Announcement**"), wherein Shareholders were advised on the status of the restructuring and refinancing project underway along with an update on the sale of PPC Lime Limited ("**PPC Lime**").

The board of directors of PPC is pleased to announce that on 2 May 2021, PPC South Africa Holdings Proprietary Limited, a wholly-owned subsidiary of the Company (the "**Vendor**"), entered into transaction agreements with Kgatelopele Lime Proprietary Limited ("**Kgatelopele Lime**" or the "**Acquirer**"), to dispose of the entire issued share capital of PPC Lime for a consideration of R515 million (the "**Divestment**") on the terms and conditions set out in this announcement.

2. BACKGROUND INFORMATION ON THE ACQUIRER

Kgatelopele Lime is a private company, incorporated in accordance with the laws of South Africa, formed for the purposes of the acquisition of PPC Lime. The shareholders of Kgatelopele Lime comprise:

- IMR Resources South Africa Proprietary Limited ("**IMR SA**") – IMR SA is part of the IMR Group, a privately held international minerals resources mining and trading company based in Switzerland involved in global trading, mining, marketing and financing of a wide variety of bulk commodities related to the iron and steel sector. Established in 2004, IMR has grown its global footprint, generating c.US\$3 billion in annual revenue while also expanding downstream/upstream to own and manage a number of industrial and mining assets across several geographical locations;
- Kolobe Nala Investment Lime Proprietary Limited ("**KNI**") – KNI is a 100% black-owned, mining-focused investment holding company. KNI is indirectly owned by Mr. Billy Mawasha. Mr. Mawasha has extensive experience in the South African mining sector having held various executive positions at AngloGold Ashanti, Kumba Iron Ore and Rio Tinto. Mr. Mawasha currently serves as an independent non-executive Director of Murray & Roberts Limited and Metair Investments Limited;
- HEX2M Energy Holdings Proprietary Limited ("**HEX**") – HEX is a 100% black youth owned mining-focused investment holding company wholly owned by Mr. Sizwe Mngomezulu. Together with Mr. Mawasha, Mr. Mngomezulu owns and manages NPL Mining Solutions Proprietary Limited, a chemical and minerals trading and beneficiation business; and
- JJJL Mining Proprietary Limited ("**JJJL**") – JJJL is an entity that is 100% owned by Mr. Johannes Claassen, the previous Chief Executive Officer of PPC. Mr. Claassen has an in-depth understanding of PPC Lime and its operations.

Post conclusion of the Divestment, PPC Lime is expected to be 39% black-owned, being 29% owned by strategic Black Economic Empowerment (“**BEE**”) investors, 5% owned by relevant PPC Lime employees and 5% owned by host communities of PPC Lime, in accordance with the requirements of the 2018 Mining Charter.

The Acquirer meets PPC’s requirements of concluding a transaction with a credible buyer with strong mining, operational and financial capacity and BEE credentials that introduce limited risk to the execution of the Divestment.

3. BACKGROUND INFORMATION ON PPC LIME

PPC Lime is a wholly-owned subsidiary of PPC which mines, manufactures and distributes reactive lime, hard burnt lime, hydrated lime, burnt dolomitic lime and raw limestone. PPC Lime is a leading supplier of these products to key industries, including iron and steel, alloys, gold, uranium and copper mining, non-ferrous metals, sugar refining, water treatment and flue gas desulphurisation.

PPC Lime commenced operations in 1954 in Lime Acres, Northern Cape on an extensive reserve of metallurgical quality limestone and dolomite. PPC Lime continues to mine out of two quarries, mining dolomite and limestone respectively, along with the rotary kiln plant to manufacture the burnt product.

PPC Lime generated revenue and earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) for the year ended 31 March 2020 of c.R858 million and c.R110 million respectively.

4. RATIONALE

As previously communicated to Shareholders, in CY2020, PPC embarked on a restructuring and refinancing project to align the business with its revised strategy. In terms of the revised strategy, PPC Lime was identified as a non-core operation to the Group and a structured sale process was initiated in December 2020.

5. SALIENT TERMS OF THE DIVESTMENT

The agreed consideration for the Divestment is R515 million on a debt-free and cash-free basis (“**Consideration**”). The Consideration is payable in cash and is subject to adjustment for net debt and cash-like items and payment of “locked box” interest from 1 April 2021 until the closing date of the Divestment, which is expected to be before the end of this year.

The rights, benefits and advantages of PPC Lime accrue to the Acquirer from 1 April 2021 in terms of a “locked box structure”.

The Divestment includes contractual undertakings usual for a transaction of this nature, including those relating to representation and warranties and interim-period undertakings. The Divestment includes a reciprocal break fee of c.5% of the Consideration (c.R25 million) (the “**Break Fee**”). The Break Fee is payable should the Acquirer or the Acquirer’s shareholders or the Vendor breach any of their respective obligations and as a result of such breach, the conditions to the Divestment are not met and the Divestment is consequently not implemented.

6. PROFITS ATTRIBUTABLE TO PPC LIME AND NET ASSETS

The attributable loss after tax of PPC Lime for the six months ended 30 September 2020 was R2m and as at 30 September 2020 PPC Lime had a net asset value of R435 million, as reported in the Company’s unaudited interim financial statements prepared in accordance with International Financial Reporting Standards and published in December 2020.

The Company is satisfied with the quality of the unaudited interim financial statements from which this financial information has been extracted.

7. CONDITIONS PRECEDENT AND EFFECTIVE DATE

The Divestment is subject to the fulfilment of, *inter alia*, the following conditions precedent by 31 December 2021:

- Approval of the Divestment by the relevant competition authorities in terms of the Competition Act, Act 89 of 1998;
- Consent of the Minister of Mineral Resources and Energy in terms of section 11 of the Minerals and Petroleum Resources Development Act, Act 28 of 2002;
- Written proof being obtained to the satisfaction of PPC and the Department of Mineral Resources and Energy that the Acquirer has made financial provision in respect of the rehabilitation liability of PPC Lime. In this regard, Shareholders are advised that the current rehabilitation trust funds for PPC Lime held within the PPC Group in terms of section 37A of the Income Tax Act, Act 62 of 1968, will be transferred to PPC Lime as part of the Divestment; and
- Exemption being granted in terms of section 119(6) of the Companies Act, Act 71 of 2008 from the application of Parts B and C of Chapter 5 of the Companies Act and the Takeover Regulations with respect to the implementation of the Divestment.

The effective date of the Divestment will be the last day of the month in which the last of the conditions precedent, detailed above, have been met. PPC view these conditions precedent as typical for a transaction of this nature.

8. APPLICATION OF PROCEEDS

The proceeds from the sale of PPC Lime will applied to de-gear PPC's South African balance sheet.

As communicated in the Restructuring and Refinancing Update Announcement, PPC's South African lenders agreed to review the need for a capital raise by the Company of a minimum amount of R750 million, to which it committed in August 2020, should the South African businesses continue to de-gear towards a sustainable debt metric of c.2x EBITDA. The proceeds of the Divestment will assist in achieving this key milestone.

9. CATEGORISATION OF THE DIVESTMENT

The Divestment constitutes a Category 2 transaction in terms of the JSE Limited Listings Requirements and the Acquirer is not a related party.

10. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the Restructuring and Refinancing Update Announcement and are hereby advised that having regard to the information contained in this announcement, caution is no longer required to be exercised by Shareholders when dealing in the Company's securities.

Sandton
3 May 2021

Financial adviser to PPC
Rand Merchant Bank (A division of FirstRand Bank Limited)

Legal adviser to PPC

Norton Rose Fulbright South Africa Inc

Legal adviser to Kgatelopele Lime

Bowmans

PPC sponsor

Sasfin Capital

A member of the Sasfin Group