

AECI LIMITED
(Incorporated in the Republic of South Africa)
(Registration No. 1924/002590/06)
Share code: AFE ISIN: ZAE000000220
Hybrid code: AFEP ISIN: ZAE000000238
Bond company code: AECI
LEI: 3789008641F1D3D90E85
("AECI" or the "Company")

AECI TO IMPLEMENT NEW BROAD-BASED OWNERSHIP SCHEME

1. INTRODUCTION

Shareholders and noteholders are advised that the board of directors of AECI ("Board") has resolved to introduce a new Broad-Based Black Economic Empowerment ("B-BBEE") transaction to be implemented as a Broad-Based Ownership Scheme ("B-BOS") ("B-BOS Transaction" or "Transaction").

The B-BOS Transaction will entail the AECI Foundation (formerly known as the "Tiso AEL Development Trust") ("Foundation") subscribing for a new class of ordinary shares ("BÂ Ordinary Shares") in AECI Mining Limited ("AECI Mining"), a wholly-owned subsidiary of AECI, resulting in the Foundation holding an effective interest of 15.5% in AECI Mining. The B Ordinary Shares will entitle the Foundation to participate in the economic interest arising from the South African operations of AECI Mining, comprising the AECI Mining Explosives and AECI Mining Chemicals divisions.

The Transaction demonstrates AECI's continued support of the South African Government's principles and objectives as set out in the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, as amended, together with the Amended Codes of Good Practice of 2013 (the "Codes"). AECI believes that the Transaction will advance its B-BBEE initiatives and enhance the positive impact that the Company has in designated communities.

2. OVERVIEW OF AECI MINING

AECI Mining is a leading provider of comprehensive mining solutions, specialising in the manufacture and supply of explosives, initiating systems, blasting services and mining chemicals. With a history spanning over one hundred years, AECI Mining has prioritised innovation, safety enhancement and efficiency in the mining industry.

3. RATIONALE AND OVERVIEW OF THE B-BOS TRANSACTION

The implementation of the B-BOS Transaction is aligned with AECI's objective to improve AECI Mining's ownership from 41.9% to (i) 51.0% Black Owned in terms of the Codes and (ii) 51.0% Historically Disadvantaged Persons owned in terms of the Mining Charter, 2018.

The Foundation is an existing Public Benefit Organisation with the primary objective of providing holistic development for orphans and vulnerable children in the communities located in the areas in which AECI Mining operates, and particularly in relation to education, food security, water and health. The Foundation's activities include, *inter alia*, the care and counselling of, and the provision of education programmes to, abandoned, abused, neglected, orphaned or homeless children, as well as the promotion of community-based projects relating to self-help, empowerment, capacity building, skills development and poverty alleviation.

The B-BOS Transaction will include the following salient features:

- AECI Mining will issue 73,586,835 B Ordinary Shares to the Foundation, equivalent to a total transaction value of R522 million ("Consideration"), equating to an issue price of R7.10 per B Ordinary Share;
- the B Ordinary Shares will carry the same voting rights as the existing issued ordinary shares of AECI Mining, and will represent 15.5% of the total voting and economic rights in AECI Mining, based on the earnings of the South African operations of AECI Mining;
- the Foundation will fund the Consideration through facilitation from AECI Mining, comprising a cash contribution equal to 35% of the Consideration and notional vendor financing for the remaining 65%;
- the notional vendor financing is subject to a funding rate set at the lower of dividends declared in respect of the B Ordinary Shares (net of the trickle dividends as described below) and 60% of the prevailing Prime lending rate;
- the notional vendor financing period is indefinite and will terminate upon the notional vendor financing balance being reduced to Rnil; and
- the Foundation will be entitled to receive trickle dividends equating to 20% of the distributions made related to its shareholding in the South African operations of AECI Mining in the first 10 years, and 25% of the relevant cash distributions thereafter, for the balance of the notional vendor financing period. The balance of the dividends attributable to the B Ordinary Shares will be applied towards servicing the notional vendor financing.

4. FINANCIAL EFFECTS AND FAIRNESS OPINION

The B-BOS Transaction has been valued at R522 million. The cash contribution to the Foundation from AECI Mining is equal to 35% of the Consideration, and the related cash consideration payable by the Foundation for the subscription of B Ordinary Shares will have a net nil effect on the value of the net assets of AECI Mining.

The value of the net assets of the South African operations of AECI Mining as at 31 December 2024 was R5Â 750 million and the profit attributable thereto for the year ended 31 December 2024 was R409 million. This financial information has been extracted from the audited consolidated annual financial statements of AECI Mining for the year ended 31 December 2024, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

The B-BOS arrangement falls outside the scope of International Financial Reporting Standards ("IFRS") 2 - Share-based Payment. As

such, there will be no IFRS 2 charge recognised in the AECI financial statements.

Â

While a fairness opinion is not mandatory with regard to the B-BOS Transaction, in the interest of transparency, the Board resolved to obtain a fairness opinion.

Â

AECI appointed PricewaterhouseCoopers Corporate Finance Proprietary Limited ("Independent Expert") as the independent professional expert. The Independent Expert has provided a fairness opinion concerning the B-BOS Transaction, in which they have advised AECI that, in their opinion, the price at which the B Ordinary Shares are to be issued to the Foundation is fair insofar as AECI shareholders are concerned.

Â

5. CLASSIFICATION OF THE TRANSACTION

Â

The B-BOS Transaction constitutes a category 2 transaction in terms of the JSE Limited Listings Requirements ("Listings Requirements") and accordingly does not require AECI shareholder approval. Additionally, the Foundation is not deemed to be a related party in terms of section 10 of the Listings Requirements.

Â

6. CONDITIONS PRECEDENT

Â

The B-BOS Transaction is subject to the fulfilment of the following material outstanding conditions precedent by no later than 31 March 2025:

Â

- AECI's B-BBEE verification agency conducting a rating review of AECI Mining and confirming, in writing, that AECI Mining will, upon implementation of the Transaction, achieve the necessary B-BBEE requirements; and
- AECI Mining having filed a new memorandum of incorporation creating the B Ordinary Shares with the Companies and Intellectual Property Commission ("CIPC") and the CIPC having accepted (or being deemed to have accepted) such new memorandum.

Â

7. EFFECTIVE DATE

Â

The Transaction will be effective on or about 20 March 2025, subject to the fulfilment of the conditions precedent as stipulated in paragraph 6 above.

Â

Â

Woodmead, Sandton

Â

28 February 2025

Â

Financial Adviser and Transaction Sponsor to AECI

Investec Bank Limited

Â

Legal Adviser to AECI

Bowmans

Â

Equity Sponsor

One Capital

Â

Debt Sponsor

Questco Proprietary Limited
