



# ArcelorMittal

ArcelorMittal South Africa Limited  
Incorporated in the Republic of South Africa)  
Registration Number 1989/002164/06)  
Share Code: ACL  
ISIN: ZAE000134961  
("ArcelorMittal South Africa")

## **ANNOUNCEMENT REGARDING THE DISPOSAL OF AN INDIRECT 25% INTEREST BY ARCELORMITTAL SOUTH AFRICA IN COZA MINING PROPRIETARY LIMITED ("COZA")**

### **INTRODUCTION**

Shareholders are advised that ArcelorMittal South Africa (through its wholly owned subsidiary Oakwood Trading 21 Proprietary Limited ("**Oakwood**")) together with other shareholders of COZA have entered into an agreement with Afrimat Limited ("**Afrimat**"), for the sale of their 100% shareholding in COZA ("**Sale Shares**") ("**Proposed Transaction**").

COZA's issued share capital is presently held as follows:

- ArcelorMittal South Africa's indirect interest being the 25% held by Oakwood; and
- 75% by other shareholders.

COZA's principal activities are the exploration and prospecting for potential mining of iron ore and manganese in the Northern Cape Province of South Africa focused on three properties.

### **RATIONALE FOR THE PROPOSED TRANSACTION**

Since 2018, ArcelorMittal South Africa has, on numerous occasions, indicated to shareholders that a foundational element of its turnaround strategy is to diversify the supply and cost structure of its strategic raw material supply. This transaction is a contributor to that strategy.

To give effect to this, ArcelorMittal South Africa has also concluded a supply agreement with Afrimat Demaneng Proprietary Limited ("**Afrimat Demaneng**") for the supply of direct shipping ore on favourable terms for each party.

### **PARTICULARS OF THE PROPOSED TRANSACTION**

Oakwood and the remaining shareholders will dispose of the Sale Shares to Afrimat in terms of a sale of shares agreement ("**SPA**").

The effective date of the Proposed Transaction will be on the first day of the month following the month in which the approval by the Minister of Minerals Resources and Energy (Minister) is granted for the disposal of a controlling interest in COZA, in terms of section 11 of the Mineral and Petroleum Resources Development Act, No. 28 of 2002 ("**MPRDA**") ("**Effective Date**").

The Effective Date is anticipated to occur within the first half of 2021.

### **CONDITIONS PRECEDENT:**

The Proposed Transaction is subject to the fulfilment of or waiver of certain conditions precedent none of which are material.

### **OTHER SIGNIFICANT TERMS**

- a. Pending the granting of approval by the Minister for the disposal of a controlling interest in COZA, Afrimat Demaneng will be appointed by COZA as the mining contractor to conduct the mining at the COZA mines, and to purchase from COZA all iron ore mined.
- b. Mining rights need to be obtained over all three properties owned by COZA.

- c. The sale and transfer of the Sale Shares is subject to the condition that if all the transaction conditions have not been fulfilled within a period of 24 months from the date the conditions precedent have been fulfilled but the mining rights have been granted in respect of the Jenkins property, Afrimat shall continue mining in terms of the Mining Contractor's Agreement and shall pay the final payment tranche in 3 equal annual instalments.
- d. The sale and transfer of the Sale Shares is further subject to the condition that if the reason for the non-fulfilment of the transaction conditions is that the Jenkins mining right has not been granted to COZA within a period of 24 months from the date the conditions precedent have been fulfilled, Afrimat may elect to (i) pay the portion of the purchase price that would have been payable on the granting of the mining right on the Jenkins property and continue with the implementation of the SPA, or (ii) terminate the SPA and recover the portions of the purchase price and loan repayment paid on the grant of the Driehoekspan and Doornpan mining rights.

#### **Purchase Price and Payment:**

The purchase price for the Sale Shares held by Oakwood is R54.15 million, subject to adjustment based on a formula set out in the SPA plus an amount of R81.6 million in respect of the repayment of the loan account, together amounting to R135.75 million, to be settled in three cash tranches.

The payment of the purchase price and repayment of the loan account to Oakwood shall, subject to the lodgement of an application in terms of section 11 of the MPRDA to the Department of Mineral Resources and Energy and submission of a Water Use License to the Department of Human Settlements, Water and Sanitation, be in cash and apportioned as follows:

- I. 15% on the granting of the Driehoekspan and Doornpan mining rights;
- II. 65% on the granting of the Jenkins mining rights; and
- III. 20% on the granting of approval by the Minister in terms section 11 of the MPRDA, of the disposal of a controlling interest in COZA.

#### **VALUE OF NET ASSETS THAT ARE THE SUBJECT OF THE TRANSACTION**

Oakwood's investment and shareholders' loan accounting in COZA is carried at R81,6 million as at 30 June 2020, the date of ArcelorMittal South Africa's interim consolidated results.

In ArcelorMittal South Africa's entity-own results, its investment and shareholders' loan in Oakwood is carried at Rnil as at 30 June 2020.

In ArcelorMittal South Africa's consolidated results, its investment and shareholders' loan in Oakwood is carried at R81,6 million as at 30 June 2020.

#### **PROFITS ATTRIBUTABLE TO THE NET PROCEEDS**

The disposal of the interest in COZA will result in a profit on sale of investment of R54.15 million, and the settlement of the shareholders' loan account of R81.6 million being reported in Oakwood. ArcelorMittal South Africa will recognise R54.15 million profit on the Effective Date, which is anticipated to occur during the first half of 2021.

#### **APPLICATION OF THE SALE PROCEEDS**

The proceeds of the sale will be used by ArcelorMittal South Africa to strengthen its financial position.

#### **CATEGORISATION OF THE TRANSACTION**

In terms of the JSE Limited Listings Requirements, the Proposed Transaction is classified as a category 2 transaction and accordingly does not require approval by the shareholders of ArcelorMittal South Africa.

17 August 2020  
Vanderbijlpark

**For further information please contact:**

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**Sponsor to ArcelorMittal South Africa Limited**

Absa Bank Limited (acting through its Corporate and Investment Banking division)

