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REMINDER: CAPITAL RAISING MEASURES & OTHER

The JSE is very mindful of the impact the covid-19 pandemic may have on business operations of issuers and the various measures proposed or taken by issuers to conserve cash in the current economic environment. The JSE is further aware that issuers may need to raise capital, in certain instances, on short notice.

The JSE has made various amendments to the JSE Listings Requirements (the “Requirements”) over the past few years by introducing alternative methods of raising capital and amending traditional methods of raising capital in an attempt to allow issuers to raise capital quicker and more efficiently.

In light of the current circumstances, the JSE has thought it wise to remind sponsors and designated advisers on the various capital raising measures available under the Requirements.

General Capital Raising Measures

The capital raising measures through rights offers, claw-back offers and issues of shares for cash (general and specific) are well defined in the Requirements and understood by the market.

It should be mentioned however that in 2014 the JSE amended the rights offer/claw-back offer corporate actions timetable which reduced the number of days required to undertake a rights offer/claw-back offer by 10 days (from 31 days to 21 days).

Non-Renounceable Rights Offer

In 2017 the JSE amended the Requirements to introduce a mechanism for issuers to raise capital on an expedited basis through a non-renounceable rights offer, provided the maximum discount at which the shares are to be offered does not exceed 10% of the weighted average traded price of such equity securities measured over the 30 business days prior to the date that the price of the issue was determined by the issuer.

Executive Directors: Dr L Fourie (Group CEO), A Takoordeen (CFO)

Non-Executive Directors: N Nyembezi (Chairman), ZBM Bassa, MS Cleary, F Daniels, VN Fakude, Dr M Jordaan, Dr SP Kana, FN Khanyile, BJ Kruger, DM Lawrence, Dr MA Matoane

Group Company Secretary: GA Brookes

The non-renounceable rights offer mechanism affords a significant time saving of seven days compared to the current rights offer/claw-back offer corporate actions timetable and will enable issuers to raise cash on an accelerated basis.

Accelerated Specific Issue of Shares for Cash

The requirements and parameters in respect of an issue of shares for cash authorities are clear but it is worth highlighting the accelerated specific issue for cash mechanism that was introduced in 2014. This regime allows significantly reduced but focused disclosure requirements through a prescribed form whereby formal approval from the JSE can be obtained within 48 hours from the submission date. This accelerated specific issue for cash mechanism will enable issuers to raise cash on an accelerated basis.

Vendor Consideration Placings

Vendor consideration placings is also an effective measure to raise capital for purposes of an acquisition, subject to the pricing parameters contained in paragraph 5.69 of the Requirements. It is further worth highlighting that there are no related party considerations applicable when undertaking a vendor consideration placing pursuant to the provisions of the Requirements.

It should be noted that -

- all the above capital raising options are subject to the further applicable provisions pursuant to the Requirements and are subject to the JSE corporate actions timetable;
- rights offers, claw-back-offers, non-renounceable rights offers and vendor consideration placings (subject to pricing parameters) do not require shareholders' approval pursuant to the provisions of the Requirements; and
- written resolutions can be used by AltX issuers for all JSE resolutions requiring shareholders' approval, subject to the provisions of their MOIs.

Sponsors should further be mindful that the JSE may waive the issue of shares for cash requirements pursuant to paragraphs 3.33 and 5.54 of the Requirement if it is satisfied that the conditions as stipulated in Schedule 11 of the Requirements exist.

Schedule 11 of the Requirements: Severe Financial Difficulty

An issuer in severe financial difficulty may find itself with no alternative but to dispose of a substantial part of its business or issue shares for cash within a short time frame to meet its ongoing working capital

requirements or to reduce its liabilities. Due to time constraints, it may not be able to prepare a circular and convene a general meeting to obtain prior shareholder approval.

The JSE may modify the requirements in paragraphs 9.20 to 9.29 and 5.51 to 5.53 of the Requirements regarding the preparation of a circular and the obtaining of shareholder approval, if an issuer:

- can demonstrate that it is in severe financial difficulty; and
- satisfies the conditions in Schedule 11 of the Requirements.

The JSE will of course, provided circumstances warrant urgency, consider an expedited review and approval process of circulars in support of capital raising measures. We trust that the above will serve as a useful guide to the capital raising options available under the Requirements.

Expedited Review and Approval Process

1 Rights Offer Circulars

On the basis that rights offer circulars are disclosure based and not requiring shareholders' approval, the JSE is prepared to allow for an expedited review and approval process. Notwithstanding the procedures for approval and submission timetables pursuant to paragraph 16.3 of the Requirements, the JSE will afford 48 hours for first submission informal comments and another 48 hours for second submission comments leading to informal approval. The JSE will also reduce the period for formal approval to 24 hours. This measure will lead to a significant reduction in the review and approval process for circulars.

Please note that on submission the SLA timetables will remain unchanged in Webstir and that these submission timetables will be adjusted manually.

It should be noted that this expedited review and approval process -

- applies to rights offer circulars only, being (i) non-renounceable rights offer, (ii) renounceable rights offer and (iii) claw-back offers;
- is an interim measure to facilitate capital raisings through the covid-19 pandemic period provided workflow and document volumes are at an acceptable level for Issuer Regulation staff.; and
- is subject to the rights offer circular complying with the relevant provisions of the Requirements on first submission.

Please note that, in our experience, rights offer circulars involving foreign issuers and shareholders can become rather lengthy and detailed because of the foreign regulatory/legislative disclosure requirements. In

such event please contact that JSE to obtain confirmation whether the expedited review and approval process applies to such rights offer circulars.

2 Other capital raising circulars

Sponsors are welcome to contact the JSE if other capital raising circulars require a quicker review and approval process. The JSE will consider such requests on a case by case basis in the interest of expediting the process, subject to resources and work load.

Circulars: Documents and Consents Available for Inspection

For the period that the national lockdown remains in force and provided formal approval is granted by the JSE for a circular during this period, the JSE will not require that documents be made available for inspection at the registered office and Johannesburg pursuant to paragraph 7.G of the Requirements, and that such documents must be made available on the issuer's website (clearly explaining the route to find the documents on the issuer's website).

This measures does not constitute an amendment to the Requirements and is merely an interim measure as the ability to inspect documents at a physical address is prohibited during the national lockdown period.

In conclusion it is noteworthy to mention that JSE has also carefully considered several other measures/proposals which could perhaps facilitate obtaining shareholders' approval pursuant to the provisions of the Requirements. However there is very limited flexibility available for the JSE, particularly taking into account the provisions of the Companies Act and the memorandum of incorporation of issuers. The JSE does however remain available to further explore and discuss any requests from issuers dealing with capital raising options.

Please contact Alwyn Fouchee on 011 520 7678 should you have any questions regarding this letter.

Yours faithfully



**A F VISSER: DIRECTOR
ISSUER REGULATION DIVISION**