

**Premier Fishing and Brands Limited**  
(Incorporated in the Republic of South Africa)  
Registration number 1998/018598/06  
Share code: PFB  
ISIN: ZAE000247516  
("Premier")

## **PROPOSED BROAD-BASED BLACK ECONOMIC EMPOWERMENT TRANSACTION TO BE IMPLEMENTED AT PFSA AND CAUTIONARY ANNOUNCEMENT**

### **1. Introduction**

Shareholders are advised that Premier Fishing SA Proprietary Limited ("**PFSA**") and Laudeware Proprietary Limited ("**BEE SPV**") ("**the Parties**") have entered into a binding memorandum of understanding ("**MOU**") in terms of which, *inter alia*, BEE SPV, a special purpose broad-based black economic empowerment company shall be introduced as a shareholder in PFSA, such that the black ownership of PFSA shall be increased from 69% to 78% post the introduction of BEE SPV ("**BEE Transaction**").

### **2. The BEE Transaction**

#### **2.1 Creation and issuance of new classes of shares**

PFSA shall create and issue to BEE SPV a new class of share ("**PFSA A Class Shares**") with voting rights which rank *pari passu* with the ordinary shareholders of PFSA such that the PFSA A Class Shares issued to BEE SPV will, after their issue, constitute 30% of the total issued share capital of PFSA.

BEE SPV, in addition to the ordinary shares created and issued to the shareholders of BEE SPV ("**BEE SPV Shareholders**") shall create a special class of preference share to be issued to PFSA ("**BEE SPV Pref Share**"), which preference shares will carry no voting rights and will only participate in the distribution of preference share dividends.

#### **2.2 Subscription for PFSA A Class Shares and grant of option**

BEE SPV shall subscribe for the PFSA A Class Shares in terms of a subscription agreement to be entered into between BEE SPV and PFSA ("**BEE SPV Subscription Agreement**").

The subscription for the PFSA A Class Shares shall be implemented on the basis of a notional vendor financing structure in terms of which:

- the PFSA A Class Shares will be issued to BEE SPV at a nominal consideration ("**Issue Price**"); and
- the difference between the fair value of the PFSA A Class Shares in the amount of R445 714 286 and the Issue Price will be notionally treated as a notional debt owed by BEE SPV to PFSA ("**Notional Debt**"). The balance outstanding on the Notional Debt will increase at a rate to be determined in terms of the BEE SPV Subscription Agreement.
- PFSA shall be granted an option ("**Repurchase Option**") to repurchase a number of PFSA A Class Shares on the basis set out in paragraph 2.4 below as at the maturity date ("**Maturity Date**"), with such date being at the election of PFSA, either:
  - The 10th anniversary of the issuance of the PFSA A Class Shares; or

- The date on which PFSA's commercial fishing rights expire, should such expiry occur after 10 years have elapsed, in terms of a repurchase agreement to be entered into between PFSA, or PFSA's nominee and BEE SPV ("**Repurchase Agreement**").

## **2.3 Subscription for BEE SPV Pref Shares**

PFSA shall subscribe for BEE SPV Pref Shares in terms of a subscription agreement ("**PFSA Pref Share Subscription Agreement**") to be entered into between BEE SPV and PFSA in terms of which:

- the BEE SPV Pref Shares will be issued at a nominal value ("**Pref Issue Price**");
- the BEE SPV Pref Shares will entitle PFSA to a preference dividend ("**Pref Dividend**") as set out in paragraph 2.3.1 below; and
- the BEE SPV Pref Shares will be redeemed by BEE SPV for an amount equal to the Pref Issue Price at the earlier of the Maturity Date and the date on which the balance of the Notional Debt is reduced to zero Rands.

### **2.3.1 Payment of Pref Dividend**

For every ordinary dividend ("**First Dividend**") declared and paid by PFSA to BEE SPV on the PFSA A Class Shares, BEE SPV shall declare a Pref Dividend payable to PFSA which amount shall be equal to such ordinary dividend received.

Upon receipt of the Pref Dividend, the net proceeds of such Pref Dividend will be distributed by PFSA as a further ordinary dividend ("**Second Dividend**") to its shareholders, including BEE SPV, to fund the costs of the prescribed provisions and fund distributions by BEE SPV to the BEE SPV Shareholders.

The effect of the above is that Premier shall be entitled to receive 91% of the sum of the First Dividend and Second Dividend.

The amount of the Second Dividend paid to PFSA shareholders, other than to BEE SPV, shall be applied and credited against the balance of the Notional Debt, until such time as the Notional Debt is notionally discharged.

## **2.4 Settlement of Notional Debt**

As at the Maturity Date, PFSA or PFSA's nominee shall be entitled to exercise the Repurchase Option and repurchase such number of PFSA A Class Shares as follows:

- If at the Maturity Date, the fair market value of the PFSA A Class Shares is greater than the value of the Notional Debt, only such number of PFSA A Class Shares, the fair market value of which is equal to the outstanding amount of the Notional Debt, will be acquired. In this scenario, BEE SPV will still hold a number of PFSA A Class Shares ("**Remaining PFSA A Class Shares**") post the exercise of the Repurchase Option with the fair market value of such Remaining PFSA A Class Shares being equal to the difference between the fair market value of the PFSA A Class Shares and the balance of the Notional Debt on exercise of the Repurchase Option.

- If at the Maturity Date, the market value of the PFSA A Class Shares is less than the value of the Notional Debt, all of the outstanding PFSA A Class Shares shall be acquired, at their fair market value and the balance of the Notional Debt shall be reduced to zero Rands. In this scenario, BEE SPV will not hold any **Remaining PFSA A Class Shares** post the exercise of the Repurchase Option.
- PFSA shall be granted an option in addition to the Repurchase Option, to repurchase any Remaining PFSA A Class Shares, at their fair market value.
- Any Unencumbered PFSA A Class Shares not repurchased by PFSA from the BEE SPV, shall be converted to ordinary shares in PFSA on a one to one basis.

### 3. The BEE SPV Shareholders

The BEE SPV Shareholders shall be comprised of:

- An employee share trust still to be established, all the beneficiaries of which shall be black people, as defined in the Broad Based Black Economic Act, No. 53 of 2003 ("**Black People**") and employees of PFSA and/or Premier; and
- A broad based empowerment consortium which shall be comprised of previously disadvantaged individuals, all of whom are Black People, who are still to be identified and agreed upon by Shareholders.

### 4. Description of the business conducted by PFSA

PFSA operates in South Africa and is engaged in commercial harvesting, processing and marketing of marine resources. The Group's principal operations are catching, processing and marketing of pelagic (pilchards and anchovy), west coast rock lobster, south coast rock lobster, squid and hake.

The Group also earns cold storage revenue through the use of cold and dry storage space by its customers.

The Group is also involved in aquaculture (abalone farming) as well as the manufacture of environmental friendly fertiliser products (organic liquid fertiliser).

### 5. Rationale for the BEE Transaction

The BEE Transaction is being undertaken for purposes of:

- complying with section 2 (Objectives) of the MLRA and, in particular, section 2(j) thereof responding to the need to restructure the fishing industry to address historical imbalances and to achieve equity within all branches of the fishing industry; and
- increasing the black ownership of PFSA to 78% in order to secure Fishing Rights for Premier Fishing, in relation to the upcoming fishing rights allocation process ("**FRAP**").

### 6. Effective Date

The effective date of the MOU is the date on which the suspensive conditions as set out in paragraph 7 are fulfilled or waived.

The effective date of the BEE Transaction shall be the date upon which all of the conditions precedent, which shall be set out in the formal agreements containing the terms of the BEE Transaction (“**Formal Agreements**”), have been fulfilled or waived, as the case may be. The **Formal Agreements** shall include, but shall not be limited to the PFSA Pref Share Subscription Agreement, the BEE SPV Subscription Agreement and the Repurchase Agreement.

## **7. Suspensive conditions**

The MOU is subject to the suspensive conditions that the board of directors of Premier and Sekfish Investments Proprietary Limited have approved the entering into of the MOU and all other agreements and transactions contemplated in the MOU.

The BEE Transaction shall be subject to certain suspensive conditions to be included in the Formal Agreements. The conditions precedent to be contained in the Formal Agreements will be customary for a transaction of this nature including without limitation approval of the BEE Transaction by the Department of Environment, Forestry and Fisheries and/or the Minister of Environment, Forestry and Fisheries, and/or the JSE.

## **8. Consideration**

The consideration due to PFSA for the issuance of the PFSA A Class Shares shall be a nominal amount which shall be less than 0.001% of Premiers' market capitalisation.

## **9. Financial information**

The value of the net assets of PFSA as at 28 February 2020, extracted from unaudited management accounts for the six months ended 28 February 2020 was R309.0 million.

The profit after tax attributable to such net assets for the six months ended 28 February 2020, extracted from unaudited management accounts for the six months ended 28 February 2020 was R18 million.

The management accounts were prepared in terms of IFRS and management of Premier is satisfied with the accuracy and completeness of the management accounts.

The value of the net assets of PFSA as at 31 August 2019, extracted from audited results for the year ended 31 August 2019 was R300.0 million.

The profit after tax attributable to such net assets for the year ended 31 August 2019, extracted from audited results for the year ended 31 August 2019 was R64.8 million.

The audited results for the year ended 31 August 2019 were prepared in terms of IFRS.

## **10. Categorisation**

The categorisation of the BEE Transaction will be confirmed with the JSE in due course however preliminary categorisation workings illustrate the BEE Transaction to be a category 1 Transaction for Premier requiring the preparation of a circular and shareholder approval.

## **11. Cautionary Announcement**

Shareholders are advised that it is currently not possible to include all of the details as set out in paragraph 9.15 of the Listings Requirements, most notably the identification of shareholders of BEE SPV, the conditions precedent of the BEE Transaction which shall be contained in the Formal Agreements and the categorisation of the BEE Transaction. It is however Premier's intention to disclose the aforementioned information once they have been confirmed.

Shareholders are accordingly advised to exercise caution when dealing in the Company's securities until Premier publishes all the required information as set out in paragraph 9.15 of the JSE Listings Requirements.

Cape Town  
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Vunani Corporate Finance