

## **Brimstone Investment Corporation Limited**

(Incorporated in the Republic of South Africa)

Registration number 1995/010442/06

ISIN Number: ZAE000015277 Share Code: BRT

ISIN Number: ZAE000015285 Share Code: BRN

("Brimstone" or the "Company")

## **PROPOSED ACQUISITION BY SEA HARVEST, A SUBSIDIARY OF BRIMSTONE, AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

### **1. Introduction**

- 1.1 Brimstone ordinary and "N" ordinary shareholders ("**Brimstone Shareholders**") are referred to the announcement ("**Sea Harvest Announcement**") released on SENS today by Sea Harvest Group Limited ("**Sea Harvest**"), a 54.4% held subsidiary of Brimstone.
- 1.2 Brimstone Shareholders are advised that Sea Harvest, acting through its wholly owned subsidiaries, has entered into a share purchase agreement ("**Share Purchase Agreement**") with Terrasan Group Limited ("**Terrasan**") and Terrasan Beleggings Proprietary Limited ("**Terrasan Beleggings**"), a wholly owned subsidiary of Terrasan, on 12 January 2024 to acquire certain subsidiaries of Terrasan Beleggings engaged in the catching, processing and sale of pelagic fish, and in the farming, processing and sale of abalone, for a purchase consideration ("**Purchase Consideration**") to be settled through cash and the issue of Sea Harvest ordinary shares ("**Sea Harvest Shares**") to Terrasan, as described in paragraph 4 below (the "**Acquisition**").
- 1.3 Brimstone's ownership interest in Sea Harvest will dilute to below 50% at the time that Sea Harvest issues the Sea Harvest Shares as part of the Purchase Consideration relating to the Acquisition, and Brimstone will therefore cease to have control of Sea Harvest in terms of IFRS 10 *Consolidated Financial Statements*. Consequently, Brimstone will be required to deconsolidate Sea Harvest and due to exercising significant influence over Sea Harvest, apply the equity method of accounting to its ownership interest.

### **2. The Acquisition**

- 2.1 Following an internal reorganisation of the Terrasan group of companies ("**Terrasan Group**") ("**Terrasan Internal Reorganisation**"), in accordance with an agreement ("**Implementation Agreement**") entered into between Sea Harvest Pelagic Fishing Proprietary Limited ("**Sea Harvest Pelagic**"), Sea Harvest Aquaculture Proprietary Limited ("**Sea Harvest Aquaculture**"), both wholly owned subsidiaries of Sea Harvest, Terrasan Group, Terrasan Beleggings, Aquunion Proprietary Limited ("**Aquunion**"), held by Terrasan Beleggings, and Agri-Vie (defined below), to regulate *inter alia* the Terrasan Internal Reorganisation and the Acquisition, and subject to the conditions precedent set out in paragraph 5 below:
- 2.1.1 Sea Harvest Pelagic will acquire 100% of the issued ordinary shares of and any claims on loan account against WP Fishing Proprietary Limited ("**WP Fishing**") and Saldanha Sales and Marketing Proprietary Limited ("**SSM**") (collectively "**Saldanha Foods**") held by Terrasan Beleggings. Following the Terrasan Internal Reorganisation, SSM and WP Fishing will hold 87.53% and 12.47%, respectively, of the issued shares in West Point Processors Proprietary Limited ("**West Point Processors**"); and
- 2.1.2 Sea Harvest Aquaculture will acquire 63.07% of the issued ordinary shares of and any claims on loan account against Aquunion. The remaining issued share capital of Aquunion (36.93%) will be held by Agri-Vie Fund II Proprietary Limited and Agri-Vie II Investments Proprietary Limited (collectively, "**Agri-Vie**"). Following the Terrasan Internal

Reorganisation, Aqunion will hold 50.01% of the issued shares in Marifeed Proprietary Limited ("**Marifeed**") and 51% of the issued shares in Diamond Coast Abalone Proprietary Limited ("**DCA**").

2.2 Saldanha Foods and Aqunion are collectively hereafter referred to as the "**Target Entities**".

2.3 The issued share capital of Terrasan is beneficially owned by the Agri-Vie parties and several other minority shareholders, details of whom will be set out in the circular to be issued by Sea Harvest.

### **3. Overview of the Target Entities and Sea Harvest's rationale for the Acquisition**

3.1 Founded in 1994, Aqunion is one of South Africa's leading vertically integrated abalone businesses, and sells approximately 540 tons of abalone per annum, produced at two farms, located in Hermanus and Gansbaai. Its processing facility – also located in Hermanus – produces dried and canned abalone (under the "Aqunion" brand), which along with live abalone, are sold across the Far East.

3.2 Saldanha Foods is a fishing business engaged in the catching, processing and sale of pelagic fish, based in St. Helena Bay on the West Coast of South Africa.

3.3 Sea Harvest's rationale for the Acquisition is summarised below (with further details in the Sea Harvest Announcement):

- 3.3.1 It is aligned to Sea Harvest's fishing and aquaculture strategy and investment criteria;
- 3.3.2 It is envisaged to create value for Sea Harvest through, inter alia, diversification and the addition of a mature, cash generative business;
- 3.3.3 It is expected to positively impact the fishing and abalone industries in South Africa, and the communities in which Sea Harvest and the Terrasan Group operate;
- 3.3.4 It will broaden Sea Harvest's shareholder base; and
- 3.3.5 It is an opportunity for Sea Harvest to progress its ambition to become a black owned global seafood business.

### **4. Purchase Consideration**

4.1 The initial purchase consideration in respect of the Acquisition is R964,837,829 (the "**Base Amount**") (subject to the adjustment amounts as contemplated below), and will be settled through:

- 4.1.1 the issue of 60,000,000 Sea Harvest Shares to Terrasan Beleggings, at an issue price of R10.00 per share based on the 60-day volume weighted average price of the shares in Sea Harvest for the 60 trading days before 13 December 2023 (being the first announcement date of the Acquisition); and
- 4.1.2 a cash payment equal to R364,837,829, subject to the Adjustment Amounts as contemplated below.

4.2 The Base Amount may be adjusted and is subject to the Target Entities:

- 4.2.1 retaining an agreed sustainable level of net working capital in respect of the Target Entities; and
- 4.2.2 being acquired on a cash free and debt free basis.

4.3 The Base Amount is also subject to the following performance linked earnouts:

- 4.3.1 The first performance linked earnout is an amount of up to R98,452,840, subject to the Target Entities achieving a combined minimum attributable net profit after tax of at least R160,000,000 for the financial year ended 31 December 2023 (already settled by way of cash generated by the Target Entities); and
- 4.3.2 The second performance linked earnout is an amount of up to R157,524,543, payable in cash and subject to the Target Entities achieving a combined minimum net profit after tax of at least R180,000,000 for the financial year ending 31 December 2024.

## 5. Conditions precedent

The Acquisition is subject to the fulfilment or waiver of the following remaining conditions precedent by no later than 30 June 2024:

- 5.1 the approval by the requisite majority of the relevant shareholders in respect of the entry into and implementation of the Acquisition by the parties thereto including Sea Harvest, Brimstone and Terrasan;
- 5.2 the transaction documents, including the Implementation Agreement, becoming unconditional in accordance with their terms (save for any provision thereof requiring the Share Purchase Agreement to become unconditional). The Implementation Agreement is subject to fulfilment of *inter alia*, all regulatory approvals including the competition authorities, the Minister at the Department of Forestry, Fisheries and the Environment, the Takeover Regulation Panel and the JSE Limited (“**JSE**”);
- 5.3 HIK Abalone Farm Proprietary Limited waiving its rights, which it may have in terms of the Marifeed memorandum of incorporation, to the forced sale provisions contemplated therein;
- 5.4 Terrasan Beleggings procuring the unconditional written approval in respect of the Acquisition from each of the counterparties to the material contracts as contemplated in the Share Purchase Agreement;
- 5.5 Terrasan Beleggings delivering written confirmation in a form acceptable to Sea Harvest that the agreements contemplated in the Share Purchase Agreement which have expired, have been renewed; and
- 5.6 Absa Bank approving the terms of the transaction documents (as defined in the Share Purchase Agreement) and transactions contemplated therein to the extent required in terms of the funding and security documentation entered into in respect of the Target Group and consenting to the release of any security, to the extent necessary.

## 6. Effective date and closing date of the Acquisition

The effective date of the Acquisition is 1 January 2023, and the closing date of the Acquisition will be the first business day of the month following the month in which all of the suspensive conditions to the Share Purchase Agreement are fulfilled or waived (or such other date as may be agreed on in writing by the parties thereto), anticipated to be 1 June 2024.

## 7. Other salient terms of the Acquisition

- 7.1 The Sea Harvest Shares issued to Terrasan Beleggings will be subject to lock-up undertakings, in terms of which Terrasan Beleggings will not be entitled to dispose of any of the Sea Harvest Shares prior to 30 June 2025; will be entitled to dispose of no more than 45,000,000 Sea Harvest Shares between 30 June 2025 and 30 June 2026; and may freely dispose of the Sea Harvest Shares thereafter.

7.2 The Share Purchase Agreement contains standard representations, warranties, indemnities and limitation of liability arrangements as are usual in transactions of such nature.

## **8. Financial information**

8.1 The net assets of the Target Entities as at 31 December 2022 were R624,774,068.

8.2 The profits attributable to the net assets of the Target Entities for the year ended 31 December 2022 were R202,549,394.

8.3 The above information was extracted from the audited annual financial statements of Terrasan for the financial year ended 31 December 2022, which were prepared in accordance with International Financial Reporting Standards.

## **9. Categorisation**

9.1 In terms of the JSE Listings Requirements, the Acquisition will be classified as a Category 1 transaction for Brimstone, and as such, requires that the resolution be approved by more than 50% of Brimstone Shareholders, present and voting, in a general meeting to be convened for such purpose ("**General Meeting**").

9.2 A circular containing full details of the Acquisition, together with a notice convening the General Meeting of Brimstone Shareholders to consider and, if deemed fit, pass the resolutions necessary to approve and implement the Acquisition, with or without modification, will be distributed to Brimstone Shareholders in accordance with the timelines under the JSE Listings Requirements.

9.3 No related parties, as contemplated in the JSE Listings Requirements, are involved in the Acquisition.

9.4 The Company confirms, for purposes of paragraph 9.16 of the JSE Listings Requirements, that nothing in the constitutional documents of the Target Entities will, in any way, frustrate or relieve Brimstone from its obligations in terms of the JSE Listings Requirements.

9.5 Brimstone Shareholders holding 58.4% of the voting rights have furnished irrevocable undertakings to vote all their Brimstone ordinary and "N" ordinary shares in favour of the resolutions required to implement the Acquisition.

## **10. Withdrawal of cautionary announcement**

Brimstone Shareholders are referred to the Brimstone cautionary announcement released on SENS on Wednesday, 13 December 2023 relating to the potential acquisition by Sea Harvest, and are advised that, as the detailed terms of the Acquisition have now been disclosed, caution is no longer required to be exercised when trading in Brimstone ordinary shares and "N" ordinary shares.

Cape Town  
22 January 2024

### **Investment Bank, Corporate Advisor and Sponsor**

Nedbank Corporate and Investment Banking, a division of Nedbank Limited