

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 7 of this Circular apply to this Circular in its entirety except where the context indicates a contrary intention.

### Action required

1. This Circular is important and should be read in its entirety, with particular attention to the section entitled “*Action Required by Shareholders*”, commencing on page 4.
2. If you are in any doubt as to what action you should take in relation to this Circular, please consult your accountant, broker, banker, attorney, CSDP or other professional advisor immediately.
3. If you have disposed of all your Stefanutti Stocks Shares, this Circular together with the accompanying notice convening the General Meeting and form of proxy should be handed to the purchaser of such Stefanutti Stocks Shares or to the broker, CSDP, banker or other agent through whom the disposal was effected.

**Stefanutti Stocks does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or broker including, without limitation, any failure on the part of the CSDP or broker of any beneficial owner of Stefanutti Stocks Shares to notify such beneficial owner of the details set out in this Circular or to take any action on behalf of such beneficial owner.**



## STEFANUTTI STOCKS HOLDINGS LIMITED

(Registration number 1996/003767/06)

Share code: SSK

ISIN: ZAE000123766

(“**Stefanutti Stocks**” or the “**Company**” or the “**Group**”)

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## CIRCULAR TO SHAREHOLDERS

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**Relating to the proposed disposal by Stefanutti Stocks, of the Mining Services Division to the Purchaser, which transaction constitutes a Category 1 Transaction for Stefanutti Stocks in terms of the Listings Requirements, in consideration for cash;**

and incorporating:

- **Notice of the General Meeting;**
- **Registration form to participate in the electronic General Meeting; and**
- **form of proxy (*blue*) in respect of the General Meeting (for use by Certificated Shareholders and “Own-Name” Dematerialised Shareholders only).**

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### Sponsor



### Legal Advisor

**WEBBER WENTZEL**  
in alliance with > Linklaters

### Transaction Advisor



### Reporting Accountant

**mazars**

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Date of issue: Wednesday, 28 April 2021

*This Circular is only available in English. Copies may be obtained from the registered office of the Company or at the Transfer Secretaries, during office hours on Business Days from Wednesday, 28 April 2021, at the addresses set out in the “Corporate Information” section until the date of the General Meeting. A copy of this Circular will also be available on Stefanutti Stocks’ website <https://www.stefanuttistocks.com>. Further information for obtaining a copy of this Circular is set out in paragraph (d) of the “Action Required by Shareholders” section.*

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## **FORWARD-LOOKING STATEMENT DISCLAIMER**

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The definitions and interpretations commencing on page 7 of this Circular apply *mutatis mutandis* to this forward-looking statement disclaimer.

This Circular contains statements about Stefanutti Stocks that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and may generally be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and/or depend on circumstances that may or may not occur in the future. Stefanutti Stocks cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which Stefanutti Stocks operates, may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by Stefanutti Stocks, as communicated in publicly available documents by Stefanutti Stocks, all of which estimates and assumptions, although believed by Stefanutti Stocks to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Stefanutti Stocks or not currently considered material by Stefanutti Stocks.

Shareholders should keep in mind that any forward-looking statement(s) made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement(s) is made, being the Last Practicable Date. New factors that could cause the business of Stefanutti Stocks to not perform as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. Stefanutti Stocks has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law. Any forward-looking statements have not been reviewed or reported on by the external auditors of Stefanutti Stocks.

### **COVID-19**

The COVID-19 global pandemic has resulted in significant global and local financial market volatility and uncertainty. Although uncertain and unquantified at this stage, continued or worsening levels of market disruption and volatility could have a significant impact on Stefanutti Stocks’ business operations as well as Stefanutti Stocks’ ability to access capital and conclude the various key initiatives. This could result in a material change in the financial or trading position of Stefanutti Stocks.

Stefanutti Stocks has put in place various risk mitigation strategies. Management and the Directors cannot accurately predict what the likely future impact of COVID-19 will be on the economy, or on Stefanutti Stocks and its operations.

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## CORPORATE INFORMATION

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### Registered office

Stefanutti Stocks Holdings Limited  
(Registration number 1996/003767/06)  
No 9 Palala Street  
Protec Park  
Cnr. Zuurfontein Avenue and Oranjerivier Drive  
Kempton Park  
1619  
(PO Box 12394, Aston Manor, 1630)

Date of incorporation: 27 March 1996  
Place of incorporation: Republic of South Africa

### Company Secretary

W.R. Somerville  
Co-Unity Offices  
18 Royal Street  
Hermanus  
7200

### Sponsor

Bridge Capital Advisors Proprietary Limited  
(Registration number 1998/016302/07)  
50 Smits Street  
Dunkeld  
2196  
(PO Box 651010, Benmore, 2010)

### Independent Reporting Accountants and Auditors

Mazars  
Practice number 900222  
Mazars House  
54 Glenhove Road  
Melrose Estate  
2196  
(PO Box 6697, Johannesburg, 2000)

### Legal Advisor

Webber Wentzel  
90 Rivonia Road  
Sandton  
2196  
(PO Box 61771, Marshalltown, 2107)

### Transaction Advisor

Birkett Stewart McHendrie Proprietary Limited  
Jindal Africa Building  
22 Kildoon Road  
Bryanston  
Sandton  
2191

### Transfer Secretaries

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Rosebank Towers  
15 Biermann Avenue  
Rosebank  
Johannesburg  
2196  
(Private Bag X9000, Saxonwold, 2132)

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## **ACTION REQUIRED BY SHAREHOLDERS**

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**This Circular is important and requires your immediate attention. The action you need to take is set out below. The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis*, to this Action Required by Shareholders section.**

**If you are in any doubt as to what action to take, consult your accountant, broker, banker, attorney, CSDP or other professional advisor immediately.**

**If you have disposed of all your Stefanutti Stocks Shares, please forward this Circular to the purchaser of such Stefanutti Stocks Shares or to the broker, CSDP, banker or other agent through whom the disposal was effected.**

**As a result of the COVID-19 outbreak and its declaration as a “national disaster” in South Africa in terms of the Disaster Management Act, 2002, and the restrictions imposed thereby on public gatherings, it is currently not advisable to hold the General Meeting in person.**

**Accordingly, the General Meeting, convened in terms of the Notice of General Meeting, will be held entirely by electronic communication on Wednesday, 26 May 2021, commencing at 09:00, as permitted by the Listings Requirements, the provisions of the Companies Act and the MOI.**

**In this respect, the Company has retained the services of Computershare to host the General Meeting on an interactive electronic platform remotely, in order to facilitate remote participation and voting by Shareholders. Computershare will also act as scrutineer.**

**Shareholders or their proxies or representatives who wish to participate in the General Meeting via electronic communication, must register with the Transfer Secretaries, Computershare, by delivering the completed and signed application form attached hereto (the application) via email to proxy@computershare.co.za as soon as possible. The application form may also be delivered (i) by hand, to Computershare at Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or (ii) by post to Private Bag X9000, Saxonwold, 2132 (at the risk of the Participant). Irrespective of the manner in which the application form is delivered, the application form must be delivered as soon as possible, but in any event, for administrative purposes only, by no later than 09:00 on Monday, 24 May 2021, together with proof of identification. Computershare will first validate a Participant’s registration request pursuant to section 63(1) of the Companies Act.**

**Dematerialised Shareholders, other than those Shareholders who have dematerialised their Stefanutti Stocks Shares with ‘Own-Name’ registration, should contact their CSDP or broker in the manner and time stipulated in their agreement with their CSDP or broker to furnish them with their voting instructions; and in the event that they wish to participate in the meeting, to obtain the necessary authority to do so.**

**If you have dematerialised your Stefanutti Stocks Shares other than with “Own-Name” registration:**

- (a) Voting at the General Meeting
  - (i) Your CSDP/broker is obliged to contact you in the manner stipulated in the agreement concluded between you and your CSDP/broker to ascertain how you wish to cast your vote at the General Meeting and thereafter to cast your vote in accordance with your instructions.
  - (ii) If you have not been contacted, it would be advisable for you to contact your CSDP/broker and furnish it with your voting instructions.
  - (iii) If your CSDP/broker does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the agreement concluded between you and your CSDP/broker.
  - (iv) You should NOT complete the attached form of proxy.
- (b) Attendance and representation at the General Meeting
  - (i) If you wish to attend the General Meeting or if you wish to appoint a proxy to represent you, you must advise your CSDP/broker in accordance with the agreement concluded between you and your CSDP/broker, and your CSDP/broker will issue you with the necessary letter of representation for you or your proxy to attend the General Meeting.

- (ii) Unless you advise your CSDP/broker, in accordance with the terms of the agreement concluded between you and your CSDP/broker, that you wish to attend the General Meeting, or to appoint a proxy to do so on your behalf, and have been provided with the necessary letter of representation from it or instructed it to send its proxy to represent you at the General Meeting, your CSDP/ broker may assume that you do not wish to attend the General Meeting and act in accordance with the agreement between you and your CSDP/broker.

**If you have not dematerialised your Stefanutti Stocks Shares or you have dematerialised your Stefanutti Stocks Shares with “Own-Name” registration:**

- (c) Voting, attendance, and representation at the General Meeting
  - (i) Shareholders are strongly encouraged to submit votes by proxy before the General Meeting.
  - (ii) You are, however, entitled to attend and vote at the General Meeting by electronic communication and may speak at and vote at the General Meeting.
  - (iii) If you are unable to attend the General Meeting, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy (*blue*) in accordance with the instructions it contains and returning it to the Transfer Secretaries to be received by email at **proxy@computershare.co.za** by no later than 09:00 on **Monday, 24 May 2021**, for administration purposes. Alternatively, such forms of proxy may be lodged with the chairman of the General Meeting at any time before the meeting by email, care of Mr William Somerville at w.somerville@mweb.co.za.
  - (iv) Where there are joint holders of Stefanutti Stocks Shares, any one of such persons may vote at the General Meeting in respect of such Stefanutti Stocks Shares as if that person is solely entitled thereto, but if more than one of such joint holders are present or represented at the General Meeting, the person whose name appears first in the Register in respect of such Stefanutti Stocks Shares or its/his/her proxy, as the case may be, shall alone be entitled to vote in respect of such Stefanutti Stocks Shares.
- (d) Shareholders were advised in the SENS announcement issued by the Company on **Wednesday, 28 April 2021** to obtain a copy of the Circular as follows:
  - (i) by accessing an electronic copy of the Circular on the Company's website, available at <https://www.stefanuttistocks.com>;
  - (ii) by contacting the Transfer Secretaries on +27 11 370 7701 or at #ZACSJHBCClientService1@Computershare.co.za to request an electronic copy of the Circular;
  - (iii) by contacting their CSDP to request an electronic copy of the Circular; and
  - (iv) by contacting the company secretary, Mr William Somerville at w.somerville@mweb.co.za in order to request an electronic copy of the Circular or to make reasonable alternative arrangements to obtain a copy.

**If you wish to dematerialise your Stefanutti Stocks Shares, please contact your broker.**

- (e) Identification of Shareholders and proxies

In terms of section 63(1) of the Companies Act, before any person may attend or participate in the General Meeting, that person must present reasonably satisfactory identification and the person presiding at the General Meeting must be reasonably satisfied that the right of the person to participate and vote at the General Meeting, either as a Stefanutti Stocks Shareholder, or as a proxy or a representative for a Stefanutti Stocks Shareholder, has been reasonably verified. Acceptable forms of identification include a valid green-bar coded or smart card identification document issued by the South African Department of Home Affairs, a South African driver's license, or a valid passport. Only those Shareholders who are fully verified (as required in terms of section 63(1) of the Companies Act) and subsequently registered at the commencement of the General Meeting with Computershare in accordance with what is set out above, will be allowed to participate in and/or vote by electronic means.

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## SALIENT DATES AND TIME

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Important dates and times in relation to the General Meeting are set out below.

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**2021**

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Record date for Stefanutti Stocks Shareholders to receive the Circular and Notice of General Meeting	<b>Friday, 16 April</b>
Circular and Notice of General Meeting distributed and announced on SENS	<b>Wednesday, 28 April</b>
Last Date to Trade to be eligible to participate in and vote at the General Meeting	<b>Tuesday, 18 May</b>
General Meeting record date for Stefanutti Stocks Shareholders to be entitled to participate in and vote at the General Meeting	<b>Friday, 21 May</b>
For administrative purposes only, last date to lodge forms of proxy with Computershare by 09:00	<b>Monday, 24 May</b>
Last date to lodge forms of proxy with the chairman of the General Meeting via email by 09:00	<b>Wednesday, 26 May</b>
General Meeting to be held at 09:00	<b>Wednesday, 26 May</b>
Results of the General Meeting published on SENS	<b>Wednesday, 26 May</b>
Results of the General Meeting published in the press	<b>Thursday, 27 May</b>

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### Notes

1. The dates and times provided for in this Circular are subject to amendment. Any material amendments will be published on SENS.
2. All times referred to in this Circular are local times in South Africa.
3. If the General Meeting is adjourned or postponed, forms of proxy submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting, unless the contrary is stated on such form of proxy.
4. The Register for Certificated Shareholders will be closed between the Last Date to Trade and the General Meeting record date.
5. No Stefanutti Stocks Shares may be dematerialised or rematerialised from Wednesday, 19 May 2021, to Friday, 21 May 2021 (both days inclusive).
6. Shareholders should note that as transactions in Stefanutti Stocks Shares are settled in the electronic settlement system used by Strate, settlement of trades takes place 3 (three) Business Days after such trade. Therefore, persons who acquire Stefanutti Stocks Shares after close of trade on **Tuesday, 18 May 2021** will not be eligible to attend, participate in and vote at the General Meeting.



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## DEFINITIONS AND INTERPRETATIONS

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In this Circular and the annexures hereto, unless the context indicates otherwise, the words in the first column shall have the meanings assigned to them in the second column, the singular includes the plural and *vice versa*, an expression which denotes one gender includes the other genders, a natural person includes a juristic person and *vice versa*, and cognate expressions shall bear corresponding meanings.

“ <b>Act</b> ” or “ <b>Companies Act</b> ”	the Companies Act 71 of 2008, as amended from time to time;
“ <b>Agreement</b> ” or “ <b>Transaction Agreement</b> ”	the written sale of business agreement concluded between Stefanutti Stocks, the Seller and the Purchaser on Wednesday, 31 March 2021 in connection with the implementation of the Transaction, as amended from time to time;
“ <b>attend</b> ”, “ <b>present</b> ”, “ <b>participate</b> ” or similar wording	includes being able to attend, be present or participate by means of electronic participation;
“ <b>Board</b> ”, “ <b>Board of Directors</b> ” or “ <b>Directors</b> ”	the Board of Directors of Stefanutti Stocks from time to time;
“ <b>Business Day</b> ”	any day other than a Saturday, Sunday or an official public holiday in South Africa;
“ <b>Certificated Shareholders</b> ”	Stefanutti Stocks Shareholders who hold Stefanutti Stocks Shares, represented by a share certificate, which Stefanutti Stocks Shares have not been dematerialised;
“ <b>Circular</b> ”	this Circular incorporating the Notice of General Meeting, dated <b>Wednesday, 28 April 2021</b> , including the annexures and attachments thereto;
“ <b>Conditions Precedent</b> ”	the Conditions Precedent contemplated in the Transaction Agreement which are referred to in paragraph 4.3 of this Circular;
“ <b>Contract Mining Sub-Division</b> ”	the Contract Mining Sub-Division of the Seller which provides open-pit mine services for bespoke requirements, and any and all areas of activity conducted by the Seller in respect thereof, including, without limitation. design planning and optimisation of mine plans, contract mining, crushing and screening, drilling and blasting, and rehabilitation closure, which for the avoidance of doubt does not form part of the Transaction;
“ <b>CSDP</b> ”	Central Securities Depository Participant as defined in the Financial Markets Act, appointed by a Shareholder for purposes of, and in regard to, dematerialisation of Stefanutti Stocks Shares the electronic settlement system operated by Strate;
“ <b>dematerialise</b> ” or “ <b>dematerialisation</b> ”	the process by which securities held by Certificated Shareholders are converted or held in an electronic form as uncertificated securities and recorded in a sub-register of security holders maintained by a CSDP or broker;
“ <b>Dematerialised Shareholders</b> ”	Stefanutti Stocks Shareholders who hold Stefanutti Stocks Shares which have been dematerialised in terms of the requirements of Strate;
“ <b>Effective Date</b> ”	subject to the terms of the Transaction Agreement, if the date on which the last of the Conditions Precedent was fulfilled or waived, as applicable, falls: <ul style="list-style-type: none"><li>• before the 29th day of a calendar month, the “<b>Effective Date</b>” will be the 1st calendar day of the immediately following calendar month; or</li><li>• on or after the 29th day of a calendar month, the “<b>Effective Date</b>” will be the 1st calendar day of the second immediately following calendar month;</li></ul>
“ <b>Financial Markets Act</b> ”	Financial Markets Act 19 of 2012, as amended from time to time;
“ <b>form of proxy</b> ”	the form of proxy incorporated into this Circular for use by Certificated Shareholders and Dematerialised Shareholders with ‘Own-Name’ registration only, for purposes of appointing a proxy to represent such Stefanutti Stocks Shareholder at the General Meeting;

<b>“General Meeting”</b>	General Meeting of Stefanutti Stocks Shareholders to be held at 09:00 on <b>Wednesday, 26 May 2021</b> , entirely by electronic communication on the platform hosted by Computershare (including any adjournment or postponement thereof);
<b>“IFRS”</b>	International Financial Reporting Standards as issued by the board of the International Accounting Standards Committee from time to time;
<b>“Independent Accountants”</b>	a firm of accountants agreed by the Purchaser and the Seller in writing or failing such agreement within 15 Business Days from either's request therefor, the following accounting firms, in the following order of preference if they are unwilling to act or if an actual conflict of interest exists that would impair their ability to impartially determine any matter required to be determined by them under the Agreement: (a) KPMG Services Proprietary Limited; (b) PricewaterhouseCoopers Inc.; or (c) a firm of independent accountants nominated by the President for the time being of the South African Institute of Chartered Accountants, or any successor body (or any person for the time being performing the functions of that official), on the application of either the Seller or the Purchaser;
<b>“Independent Reporting Accountants”</b>	Mazars, practice number 900222, Registered Auditors, acting as the Auditors and Independent Reporting Accountants to Stefanutti Stocks;
<b>“JSE”</b>	JSE Limited, a South African limited liability public company with registration number 2005/022939/06, which is licensed to operate a securities exchange under the Financial Markets Act;
<b>“Last Date to Trade”</b>	<b>Tuesday, 18 May 2021</b> , being the last Business Day to trade Stefanutti Stocks Shares in order to reflect in the Register so as to be eligible to vote at the General Meeting;
<b>“Last Practicable Date”</b>	<b>Friday, 16 April 2021</b> , being the Last Practicable Date prior to the finalisation of this Circular;
<b>“Lender Group” or “Lenders”</b>	the primary lenders and guarantors of the Group consisting of Nedbank Limited, Credit Guarantee Insurance Corporation of Africa Limited, Lombard Insurance Company Limited and Santam Limited;
<b>“Listings Requirements”</b>	the Listings Requirements of the JSE, as amended from time to time;
<b>“MOI”</b>	the memorandum of incorporation of the Company;
<b>“Materials Handling Sub-Division”</b>	the Materials Handling Sub-Division of the Seller, which provides bulk material handling and processing services for all mining material requirements, and any and all areas of activity conducted by the Seller in respect thereof;
<b>“Mining Services Division”</b>	the Mining Services Division of the Seller, which provides professional engineering services in, among others, the fields of bulk material handling, tailings extraction, waste residue disposal and recovery facilities comprising (i) the Materials Handling Sub-Division and (ii) Tailings Management Sub-Division;
<b>“Notice of General Meeting”</b>	the notice to Stefanutti Stocks Shareholders convening the General Meeting of Shareholders for the purpose of considering and, if deemed fit, approving with or without modification, the resolutions set out in such Notice of General Meeting relating to the Transaction and which notice together with the electronic participation form and the form of proxy are attached to, and forms part of this Circular;
<b>“Own-Name registration”</b>	Dematerialised Shareholders who have instructed their CSDP to hold their Stefanutti Stocks Shares in their own name on the uncertificated register of Stefanutti Stocks;

<b>“Purchase Consideration”</b>	the cash consideration of R80,000,000 (eighty million Rand) which is payable by the Purchaser provided that the cash consideration may be adjusted (upwards or downwards) if the actual working capital in the Mining Services Division exceeds (or does not exceed) the Working Capital Target. The adjustment calculation is to be conducted by the Seller and the results thereof delivered to the Purchaser within 30 Business Days of the Effective Date. If the actual working capital in the Mining Services Division exceeds the Working Capital Target, the excess must be paid by the Purchaser to the Seller and <i>vice versa</i> ;
<b>“Purchaser”</b>	Akhona Mining Services Proprietary Limited, a South African private company with registration number 2018/524955/07 a non-related party to Stefanutti Stocks, owned by a consortium of shareholders comprising Akhona Group Proprietary Limited with registration number: 2007/011284/07 of which the beneficial owner is Ms Noluthando Gosa, 777FL Proprietary Limited with registration number: 2019/486770/07 of which the beneficial owner is Mr Thato Makgolane and F11 Resources Proprietary Limited with registration number: 2018/425870/07 of which the beneficial owner is Mr Frans Baleni, each of which is a private company with limited liability incorporated in accordance with the laws of South Africa and of which the beneficial owners are non-related parties to Stefanutti Stocks;
<b>“Rand” or “R” or “ZAR”</b>	South African Rand;
<b>“Register”</b>	the Company’s securities register maintained by the Transfer Secretaries in accordance with sections 50(1) and 50(3) of the Companies Act;
<b>“Seller”</b>	Stefanutti Stocks Proprietary Limited, a South African private company with limited liability with registration number 2003/022221/07, a wholly-owned subsidiary of the Company;
<b>“SENS”</b>	the Stock Exchange News Service of the JSE;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“Stefanutti Stocks” or the “Company” or “Group”</b>	Stefanutti Stocks Holdings Limited, a South African public company with registration number 1996/003767/06;
<b>“Stefanutti Stocks Shares”</b>	the ordinary shares in the issued share capital of Stefanutti Stocks with a par value of 0,00025 cents per share;
<b>“Stefanutti Stocks Shareholders” or “Shareholders”</b>	the holders of the Stefanutti Stocks Shares from time to time;
<b>“Strate”</b>	Strate Proprietary Limited, a South African limited liability private company with registration number 1998/022242/07, which is a registered central securities depository in terms of the Financial Markets Act and is responsible for the electronic settlement system used by the JSE;
<b>“Tailings Management Sub-Division”</b>	the Tailings Management Sub-Division of the Seller, which provides facility design, construction and management solutions for tailings extraction and storage, and any and all areas of activity conducted by the Seller in respect thereof;
<b>“Transaction”</b>	the proposed disposal of the Mining Services Division as a going concern to the Purchaser which Purchaser will pursuant to the Transaction be substituted in the place of the Seller in respect of the contracts of employment in existence immediately prior to the Effective Date in accordance with and subject to, the terms of, the Transaction Agreement;
<b>“Transfer Secretaries” or “Computershare”</b>	Computershare Investor Services Proprietary Limited, a South African limited liability private company with registration number 2004/003647/07 and the transfer secretaries of Stefanutti Stocks in South Africa;
<b>“VAT”</b>	Value-Added Tax as levied in terms of the Value-Added Tax Act, 1991 (Act 89 of 1991), as amended from time to time; and
<b>“Working Capital Target”</b>	R30,000,000, consisting of the sum of the value of (i) all stores and consumables owned by the Seller and used exclusively in respect of the Mining Services Division; (ii) all claims of the Seller against trade debtors of the Mining Services Division and (iii) all liabilities of the Seller to the trade creditors of the Mining Services Division and an additional fixed cash amount of R6,500,000.



## STEFANUTTI STOCKS HOLDINGS LIMITED

(Registration number 1996/003767/06)

Share code: SSK

ISIN: ZAE000123766

("Stefanutti Stocks" or the "Company" or the "Group")

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### Non-executive

ZJ Matlala\* (*Chairman*)  
HJ Craig\*  
B Harie\*  
BP Silwanyana\*  
JM Poluta\* (*alternate director*)  
DG Quinn\*

*\*independent*

### Executive

RW Crawford (*Chief Executive Officer*)  
AV Coccianti (*Chief Financial Officer*)

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## CIRCULAR TO STEFANUTTI STOCKS SHAREHOLDERS

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### 1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

Stefanutti Stocks Shareholders are referred to the announcement released by the Company on SENS on Thursday, 1 April 2021 advising that the Company, the Seller and the Purchaser have entered into the Agreement pursuant to which the Mining Services Division will be sold to the Purchaser for the Purchase Consideration and on the terms and conditions set out in the Agreement.

The purpose of this Circular is to:

- provide Shareholders with the Notice of General Meeting for the purpose of convening the General Meeting at which the resolutions required to be adopted to approve and authorise the implementation of the Transaction will be considered and, if deemed fit, approved by Shareholders; and
- provide Shareholders with the requisite information to enable Shareholders to make an informed decision with respect to the resolutions set out in the Notice of General Meeting.

### 2. ABOUT THE PURCHASER

The Purchaser is a majority black-women owned and controlled specialist mining services entity with an executive management team with adequate experience and technical expertise in the bulk material handling, crushing and screening and tailings management sector. The Purchaser is owned by a consortium of shareholders with a strong track record of successful investment cases.

### 3. **BACKGROUND AND RATIONALE FOR THE TRANSACTION**

As previously disclosed to Stefanutti Stocks Shareholders in the “Funding Plan Update and Trading Statement” announcement released by the Company on SENS on 21 November 2019, a strategic restructuring team, consisting of external advisors none of whom are related to the Stefanutti Stocks Group, has been appointed to advise on and assist with the development and implementation of a detailed turnaround programme for the Group, including the securing of requisite additional short- and long-term funding from the Lender Group (the “**Restructuring Plan**”). The purpose of the Restructuring Plan is to put in place the optimal capital structure and access to liquidity to position the Group for long-term growth in this dynamic environment. The Restructuring Plan also envisages among others the sale of non-core assets as well as the sale of certain divisions/subsidiaries to achieve its outcome and objectives. In line with the Restructuring Plan, the Mining Services Division, a non-core asset of the Company will accordingly be disposed of pursuant to the Transaction in the furtherance of the implementation of the Restructuring Plan.

### 4. **SALIENT TERMS OF THE TRANSACTION**

#### 4.1 **Effective Date**

The Effective Date of the Agreement shall be either:

- if the date on which the Conditions Precedent to the Transaction have been waived or fulfilled falls before the 29th day of a calendar month as the case may be, the 1st calendar day of the immediately following calendar month; else
- if the date on which the Conditions Precedent to the Proposed Transaction have been waived or fulfilled falls on or after the 29th day of a calendar month as the case may be, the 1st calendar day of the second immediately following calendar month.

#### 4.2 **Purchase Consideration**

The Purchaser will pay the Seller the full Purchase Consideration in cash by way of electronic funds transfer of immediately available funds on the Effective Date, subject to the terms and conditions of the Agreement. The Purchase Consideration is R80,000,000, however, this amount will be adjusted by the difference between the Working Capital Target and the actual working capital in the Mining Services Division. This calculation will be performed by the Seller within 30 Business Days of the Effective Date and if there is no dispute between the Seller and Purchaser, will be payable in terms of the Agreement. In the event of a dispute and the Seller and Purchaser are unable to reach Agreement, the dispute and final adjustment to the Purchase Consideration will be determined by the Independent Accountants.

#### 4.3 **Conditions Precedent**

The Transaction is subject to the fulfilment and/or waiver of the Conditions Precedent, which are customary for a transaction of this nature and include:

- the resolutions required to approve the Transaction having been adopted by the requisite majority of the Stefanutti Stocks Shareholders, and a copy thereof being provided to the Purchaser;
- the Group obtaining the requisite written consents of the Lenders for the implementation of the Transaction due to the Mining Services Division forming part of the security given to the Lenders in terms of the Project Nutella facility disclosed in **Annexure 5**; and
- the conclusion and execution of a transitional services agreement between the Seller and Purchaser.

#### 4.4 **Transaction Categorisation and Shareholder Approval**

At the time of signing the Agreement, the Purchase Consideration, measured against the market capitalisation of Stefanutti Stocks, resulted in a percentage ratio of more than 30%. Accordingly, the Transaction is classified as a Category 1 Transaction and requires approval by way of an ordinary resolution passed by Stefanutti Stocks Shareholders, in terms of the Listings Requirements. For the avoidance of doubt, the Transaction does not constitute a disposal of all or greater part of the assets or undertaking of Stefanutti Stocks, as contemplated in section 112 of the Companies Act.

The Transaction is not with a related party and there are accordingly no related party transaction implications in terms of the Listings Requirements.

Stefanutti Stocks would still qualify for listing after implementation of the Transaction with remaining total assets of approximately R6.1 billion and will continue with operations through its existing businesses and divisions.

#### 4.5 Net Assets and Attributable Profits

The consolidated value of the net assets of the Mining Services Division (excluding Contract Mining Sub-Division) as at 31 August 2020 amounted to R69.8 million. The profit before tax for the six months ended 31 August 2020 attributable to the Mining Service Division (excluding Contract Mining Sub-Division) was R17.2 million.

### 5. FINANCIAL INFORMATION REGARDING THE TRANSACTION

In terms of the Listings Requirements, a Category 1 Transaction requires the disclosure of historical financial information of the Mining Services Division and the *pro forma* financial information showing the effects of the Transaction on the Company's (i) Statement of Financial Position and the net assets and net tangible assets per share of the Company, and (ii) consolidated Statement of Comprehensive Income and earnings and headline earnings per share of the Company (including, if applicable, diluted earnings and headline earnings per share).

As required in terms of the Listings Requirements, the historical carve-out annual financial statements of Stefanutti Stocks for the years ended 28 February 2018, 28 February 2019 and 29 February 2020 and the interim period ended 31 August 2020 will be available for inspection as described in paragraph 14 of this Circular.

The Independent Reporting Accountant's report on the Carve-Out of the historical information of the Mining Services Division for the years reported is annexed hereto as **Annexure 3**.

5.1 The *pro forma* financial information is set out in **Annexure 1** of this Circular and is presented in accordance with the provisions of the Listings Requirements and the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants. The *pro forma* financial information, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the Board.

The accounting policies used in the preparation of the *pro forma* financial effects are compliant with IFRS and are consistent with those applied in the financial statements of Stefanutti Stocks for the six months ended 31 August 2020. It has been assumed, for purposes of the *pro forma* financial effects, that the Transaction took place with effect from 1 March 2020 for the *pro forma* condensed consolidated statement of profit or loss and as at 31 August 2020 for the *pro forma* condensed consolidated Statement of Financial Position.

The *pro forma* financial information has been prepared for illustrative purposes only, to provide information on how the Transaction may have affected the financial position of Stefanutti Stocks. Due to its nature, the *pro forma* financial information may not fairly represent Stefanutti Stocks financial position, comprehensive income, changes in equity or cash flows after the Transaction.

The table below is a summary of the detailed *pro forma* financial information as set out in **Annexure 1**.

	Published interim results Note 1	<i>Pro forma</i> after disposal of Clayville property Note 2	<i>Pro forma</i> results after the Transaction Note 3	Net Impact	Change (%)
Net asset value per ordinary share (cents) <sup>4</sup>	274.38	275.35	257.55	(17.80)	(6.46)
<b>Net tangible asset value per ordinary share (cents)<sup>4</sup></b>	32.46	33.44	50.87	17.43	52.12
<b>Earnings per share ("EPS")<sup>5</sup></b>					
Basic EPS (cents)	(147.06)	(145.05)	(171.64)	(26.59)	(18.33)
Diluted EPS (cents)	(147.06)	(145.05)	(171.64)	(26.59)	(18.33)

	<b>Published interim results</b>	<b>Pro forma after disposal of Clayville property</b>	<b>Pro forma results after the Transaction</b>	<b>Net Impact</b>	<b>Change (%)</b>
	Note 1	Note 2	Note 3		
<b>Headline earning per share (“HEPS”)<sup>5</sup></b>					
Basic HEPS (cents)	(128.42)	(126.40)	(135.09)	(8.69)	(6.88)
Diluted HEPS (cents)	(128.42)	(126.40)	(135.09)	(8.69)	(6.88)
Shares in issue					
Weighted average shares in issue for basic EPS	167 243 684	167 243 684	167 243 684	–	–
Weighted average shares in issue for diluted EPS	188 080 746	188 080 746	188 080 746	–	–
Weighted average shares in issue for basic HEPS	167 243 684	167 243 684	167 243 684	–	–
Weighted average shares in issue for diluted HEPS	188 080 746	188 080 746	188 080 746	–	–

**Notes and assumptions:**

1. The “Published interim results” column has been extracted, without adjustment, from the Company’s interim results for the six months ended 31 August 2020, which can be accessed on Stefanutti Stocks’ website at: <https://www.stefanuttistocks.com> and is available for inspection at the registered office of Stefanutti Stocks as set out in paragraph 14 of this Circular.
2. The pro-forma after disposal of Clayville property relates to the circular issued to shareholders on 22 December 2020.
3. The “Pro forma results after the Transaction” column reflects the impact of the *pro forma* adjustments on Stefanutti Stocks as a consequence of the Transaction. The effects of the Transaction are calculated on the assumption that the Purchase Consideration will be utilised to reduce interest-bearing borrowings.
4. *Pro forma* net asset and net tangible asset value per share are based on the principal assumption that the Transaction was effective on 31 August 2020.
5. *Pro forma* earnings and headline earnings per share are based on the principal assumption that the Transaction was effective on 1 March 2020.
6. Details of the *pro forma* financial effects of the Transaction on Stefanutti Stocks consolidated statement of profit or loss and consolidated Statement of Financial Position for the six months ended 31 August 2020 are contained in **Annexure 1** to this Circular. The assumptions used in the preparation of the *pro forma* financial effects as well as the detailed notes and descriptions to the *pro forma* financial information are set out in **Annexure 1**.

5.2 The Independent Reporting Accountant’s assurance report on the *pro forma* financial information is set out in **Annexure 2** of this Circular.

## 6. APPLICATION OF PROCEEDS

The Transaction proceeds will be applied to the reduction of Stefanutti Stocks’ current funding facilities provided by the Lenders in accordance with the Restructuring Plan.

## 7. OVERVIEW OF STEFANUTTI STOCKS

Stefanutti Stocks is one of South Africa’s largest multidisciplinary construction groups with over 7 000 employees. The Group has the capacity to deliver a range of infrastructure development projects to clients across diverse sectors. All South African operations are divisions of the Seller, a Level 1 B-BBEE contributor.

The Company has a Grade 9 rating from the South African Construction Industry Development Board (CIDB), providing it with unlimited tender capability. Furthermore, its broad spectrum of expertise means that it has the capability and capacity to offer a single point responsibility on multidisciplinary (infrastructure development) projects, effectively removing the interface risk from the clients’ domain.

The Stefanutti Stocks’ range of capabilities covers multidisciplinary construction activities throughout the built environment. The business’ offering extends across a wide scope including the construction of fixed infrastructure, municipal services, mining and industrial facilities and all structures and buildings essential for the continued development of the economies within which we operate. The Group’s divisions and subsidiaries are specialists in a range of construction-related activities including building;

civil engineering; electrical and instrumentation; geotechnical; marine; mechanical and piping; mining services; oil and gas; pipelines, roads and earthworks as well as general contracting.

Stefanutti Stocks operations offer a broad spectrum of capabilities to the following sectors:

- Building
- Bulk Earthworks and Geotechnical
- Energy Generation
- Industrial Plants, Oil and Gas
- Mining and Mining Infrastructure
- Transport Infrastructure (road, rail, marine and air)
- Water, Sanitation and Pipelines

## 8. **STEFANUTTI STOCKS' PROSPECTS**

The Group operations remain under pressure from a subdued market, notwithstanding the dire need for infrastructure investment as declared in terms of the South African Governments' Infrastructure Development Programme. As reported in the year-end results for 29 February 2020 and the interim results for 31 August 2020 published on 28 August 2020 and 26 November 2020 respectively, the much-publicised issues with Eskom's non-payment of claims in terms of the SSBR JV at Kusile continue to place pressure on operational cash flows. Shareholders are referred to the Stefanutti Stocks website to access the Investor Presentations for the year-end results for 29 February 2020 and the interim results for 31 August 2020 which gives the latest update.

The Group's prospects in terms of the key management reporting areas are described below:

### **RESTRUCTURING PLAN**

As previously disclosed to Shareholders through SENS, a strategic restructuring team consisting of external advisors none of whom are related to the Stefanutti Stocks Group, has been appointed, to advise on and assist with the development and implementation of the Restructuring Plan.

The Restructuring Plan envisages among others:

- the sale of non-core assets;
- the sale of under utilised plant and equipment;
- the sale of certain divisions/subsidiaries;
- internal restructuring initiatives required to restore optimal operational and financial performance;
- the securing of additional short-term funding of R430 million, of which R270 million relates to the negative effects of the national lockdown due to the COVID-19;
- a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power projects;
- the restructuring of the short-term funding received to date from the Lender Group into a term loan; and
- evaluation of an optimum business model and associated capital structure analysis including the potential of raising new equity.

As indicated above, the purpose of the Restructuring Plan is to put in place the optimal capital structure and access to liquidity to position the Group for long-term growth in this dynamic environment. In accordance with the Restructuring Plan the Lender Group has provided the requisite funding and converted the short-term funding agreement into a term loan on 1 July 2020, which loan terminates on 28 February 2022. In addition, the Lender Group has agreed to provide continued guarantee support for current and future projects being undertaken by the Group. Management has made considerable progress in reconfiguring the Group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the Group's overall headcount. This is an ongoing process which continues as the fluctuating aspects of the Restructuring Plan are being implemented.

The Restructuring Plan is anticipated to be implemented over the financial years ending February 2021 and February 2022 and, to the extent required, under the Listings Requirements or the Companies Act, shareholder approval will be sought for this. Stefanutti Stocks will continue to update Shareholders on the progress of the various aspects of the Restructuring Plan through SENS.



## **GOING CONCERN**

The funding provided by the Lender Group has assisted in relieving the Group's liquidity pressures even though current liabilities exceed current assets at 31 August 2020. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 25 of the Group's Consolidated Annual Financial Statements for the year ended 29 February 2020, continue to indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern in the short term. However, having converted the short-term funding agreement with the Lender Group to a term loan on 1 July 2020 and on the basis of successfully implementing the Restructuring Plan, the Directors consider it appropriate that the Group's results for the six months ended 31 August 2020 be prepared on the going-concern basis.

## **CONSTRUCTION & MINING**

Order Book as at February 2021– R 3,6 billion

The Roads and Earthworks Division is still operating in a constrained market, where tender activity in the public sector has remained subdued. Despite the market conditions, the division has managed to secure a budgeted order book for the 2021 financial year and has a number of medium-term prospects which should secure the 2022 budget.

Initiatives implemented in the last financial year in respect of financial controls, focus on project selection and execution and have started to pay dividends. The division has returned to profitability and while cash flow is constrained it is improving and manageable.

The Mining Services Division, is being disposed of to the Purchaser by the Seller, subject to the terms and conditions of the Transaction Agreement, as set out in this Circular. The remainder which fell outside of the ambit of the Purchaser's offer for the Mining Services Division, being the Contract Mining Sub-Division's, operations and plant fleet, which has been significantly reduced in accordance with the order book (which for avoidance of doubt does not form part of the Transaction.)

The Coastal Division has produced satisfactory results against the backdrop of a constrained market. Anticipated projects such as the work on the N3 for SANRAL and the Port upgrade have been slow to award due to COVID-19 and other administrative challenges. However, Umgeni Water have put out a number of projects to tender and the Coastal Division may be awarded some of this work. The Coastal Division has recently successfully completed projects for premier clients such as Vopak and Sasol.

The Civils Division continues to deliver satisfactory results, again against the backdrop of a constrained market and easing of COVID-19 restrictions. The division's order book is under pressure for the 2021 financial year but there are a number of opportunities presenting themselves in the Water, Renewable Energy and Transport space which may assist with this. Further, the work on the Kusile Power Station is progressing well, albeit at a reduced pace and is likely to continue until the end of 2021.

The Geotechnical Division continues to operate in a shrinking market which has seen a number of its historic competitors exit the industry. The division has seen a number of cross border opportunities and is currently working in Zambia on the new Livingstone Hotel. While local opportunities remain limited, we believe the upsurge in SANRAL road and bridge projects may present opportunities for the division.

The Eswatini (Swaziland) Division continues to perform well against budget and has a secured order book for the next two years which should put the division in a strong position for the short to medium term. The trading conditions in Eswatini are however becoming increasingly more competitive and political, our focus will be mostly on internationally funded projects and private clients as the Eswatini Government funded projects are almost certain to be awarded to the favoured local contractor. The division is on a drive to execute its projects at better than tendered allowable thus improving its profitability as well as adding to its already strong cash position.

The Zambia Division has had a major turnaround in fortunes and is now looking very good for the next 24 months after going through a major restructuring due to lack of opportunities and substantial amounts of outstanding debtors. The award of the Livingstone Hotel project has provided a nice anchor project from which to rebuild a sustainable business turning over R250 million p/a with recent opportunities picking up and hopefully a longer-term upswing in the copper industry adding value to the construction sector. The Zambia Division continues to pursue its outstanding debtors with the Zambian Government and has seen a steady flow of payments since the beginning of the year.

The Botswana Division continues to perform well and remains on track with its budgets despite the effects of COVID-19 as well as being cash positive. The division could see major project opportunities coming to fruition from across the Botswana construction sector, however, these opportunities may take up to 18 months to materialise into project awards. With two of the division's projects reaching a conclusion at the end of the year it is imperative that the division secures another sizable project before the financial year-end. The current management team are working hard on building relationships which will support a sustainable business going forward with a balance of general construction works.

## **BUILDING**

Order Book as at February 2021 – R2,6 billion

The building sector in South Africa experienced another challenging year in 2020, as weak infrastructure investment translated to a scarcity of large projects coming to market and greater pressure on margins.

The COVID-19 pandemic significantly contributed to the reduction of opportunities and a number of projects were also cancelled or delayed as a result.

Building reported mixed results across its operations, with reasonable performances from KwaZulu-Natal (KZN), Western Cape, Mozambique and the United Arab Emirates and a poor performance from Gauteng. To mitigate risk, the building business unit was more selective regarding the types of work being procured, which in itself put pressure on revenue and margin. In Gauteng, a new leadership team was appointed in September 2019 to turn the business around and create more opportunities in the Gauteng area.

Since August 2020 there has been a significant uptick in work opportunities and projects coming to market. This has been experienced across all 3 regions, some of these opportunities include: Western Cape – Data Centres valued at R1,2 billion, Commercial Buildings valued at R1,0 billion, Social Housing valued at R0,5 billion; KZN – Industrial Warehouses, R 1,1 billion, Retail upgrades valued at R0,6 billion; Gauteng – Industrial Buildings valued at R2,0 billion, Hospital upgrades valued at R0,8 billion and production facility upgrades valued at R0,4 billion.

The Mozambique Division is tracking budget albeit a substantially reduced forecast primarily due to the delayed award of several potential prospects and still needs to secure R150 million of work to achieve its financial year-end results. The division has taken measures to reduce its holding cost in the interim and continues to pursue some of its projects. There are also expected short term opportunities up north with the opening of borders and people able to travel regionally and soon internationally.

## **MECHANICAL & ELECTRICAL**

Order Book as at February 2021 – R136 million

The Mechanical and Electrical (“**M & E**”) Business Unit experienced a significant contraction in pipeline in the prior 12 months. However, there have been encouraging developments in the market which have improved to the outlook and potential pipeline of the business.

The Oil and Gas sector has been restrained this year. Bidding activity has picked up the past quarter, which is encouraging, the engineering contractors Sasol and Astron confirm that significant work will be executed from around April 2021. This is mainly related to clean fuels projects and the repair of the explosion damage at Astron.

## **ESKOM — KUSILE POWER PROJECT**

### **SSBR JV – Package 16**

Eskom continues with their adverse approach to certification. The expected cash inflow from Eskom on this project requires National Treasury approval, which to date has not been granted. Since 1 March 2020 only R20,3 million has been certified and paid. The Group is pursuing a number of contractual claims and compensation events on this project, and due to the complexity of the claims, the processes remain ongoing. No further details of the claims have been disclosed on the basis that it may prejudice the Group's position in defending the claims brought against it and in pursuing those claims brought against Eskom by the Group.

All construction work will be completed within this financial year. With construction work coming to an end, we are in the process of agreeing the final account, all sectional final measurements for all structures have been submitted. All commissioning work will be completed by the end of the next calendar year.

As previously mentioned, the Group and Eskom have both committed to a claims resolution process which involves the appointment of independent experts to evaluate the causes of delays and the quantification thereof. The delay analysis process should be complete within the first quarter of next year, after which the quantum experts should be in a position to complete the quantification thereof. This claims resolution process remains on track to be substantially resolved by February 2022.

**Stefanutti Stocks Izazi JV – Package-28**

As previously reported, Eskom terminated this contract due to their inability to provide access to complete the relevant works. Based on the works completed, as well as Eskom’s termination of the contract, Stefanutti Stocks contend that there are material amounts due to the Group.

The Group had already commenced an adjudication process in 2018. It has been agreed with Eskom to increase the matters under dispute to include the termination and final certification. For this reason, the adjudication ruling is only expected by August 2021. This process remains ongoing and amounts due or outstanding have not been finalised.

**AUDIT, GOVERNANCE AND RISK COMMITTEE – GENERAL RISK MANAGEMENT**

The Board Risk Committee for the time being is focusing on the following aspects:

- COVID-19 and the effect on the sustainability of the Group;
- Going concern;
- Solvency and liquidity;
- Funding requirements and repayments;
- Debtors recoverability;
- Material contracts; and
- Working capital requirements and movement.

9. **ADDITIONAL INFORMATION ON STEFANUTTI STOCKS**

9.1 **Share Capital of the Company**

The table below shows the authorised and issued share capital of Stefanutti Stocks as at the Last Practicable Date:

	<b>R’000</b>
Authorised 400 000 000 ordinary shares of 0,00025 cents	
<b>Total</b>	<b>1</b>
Issued 188 080 746 ordinary shares of 0,00025 cents	–
Share premium	1 007 718
<b>Total</b>	<b>1 007 718</b>

## 9.2 Major Shareholders

Insofar as it is known to the Directors, Shareholders who directly or indirectly beneficially held a 5% or greater shareholding in the issued ordinary share capital of Stefanutti Stocks, as at the Last Practicable Date were as follows:

<b>Name of Shareholder</b>	<b>Number of Shares held</b>	<b>Direct Beneficial</b>	<b>Indirect Beneficial</b>	<b>% of issued share capital*</b>
Stefanutti Stocks Investments Proprietary Limited	14 407 132	14 407 132	–	7.66
Ninety One	13 877 459	–	13 877 459	7.38
Welkom Investments	41 189 683	41 189 683	–	21.90
Sanlam Group	12 038 741	–	12 038 741	6.40
W Meyburgh	10 972 409	10 972 409	–	5.83
<b>Total</b>	<b>92 485 424</b>	<b>66 569 224</b>	<b>25 916 200</b>	<b>49.17</b>

\*There is no controlling Shareholder as at the Last Practicable Date.

## 9.3 Directors' Remuneration and Service Contracts

The Directors' remuneration and benefits are set out below:

<b>29 February 2020</b>	<b>Basic salary R'000</b>	<b>Other benefits (travel R'000)</b>	<b>Total R'000</b>	<b>Post-employment benefits R'000</b>	<b>Total R'000</b>
<b>Executive directors</b>					
RW Crawford – CEO (appointed 12 August 2019)	2 086	130	2 216	198	2 414
W Meyburgh – CEO (retired 12 August 2019)	2 679	333	3 012	189	3 201
AV Coccianti – CFO	3 366	50	3 416	309	3 725

Contracts of employment with executive Directors were concluded on terms and conditions that are standard for such appointments and contain normal terms of employment. The contracts of employment are available for inspection as described in paragraph 14 of this Circular.

There are no service contracts in place in respect of non-executive Directors.

**The non-executive Directors short-term benefits are set out below:**

<b>29 February 2020</b>	<b>Attendance fees R'000</b>	<b>Annual fees R'000</b>	<b>Pre-approved services R'000</b>	<b>Total 2020 R'000</b>
<b>Non-executive directors</b>				
KR Eborall (retired on 12 August 2019)	–	431	–	431
ZJ Matlala (Chairman – appointed on 12 August 2019)	439	529	–	968
JM Poluta (alternate to B Silwanyana)	439	–	–	439
DG Quinn	549	–	–	549
HJ Craig	387	–	–	387
B Silwanyana	623	–	–	623
B Harie	556	–	–	556

#### 9.4 Directors' Interest in Stefanutti Stocks Shares

The direct and indirect interests of the Directors, and their associates (including Directors who resigned in the last 18 months), in the ordinary share capital of Stefanutti Stocks, as at the Last Practicable Date, are set out below:

<b>Director</b>	<b>Direct Beneficial (number of shares)</b>	<b>Indirect Beneficial (number of shares)</b>	<b>Percentage Holding %</b>
<b>Non-executive</b>			
DG Quinn	–	700 000	0.37
JM Poluta	–	150 612	0.08
<b>Executive</b>			
RW Crawford	7 693	–	–
W Meyburgh (retired 12 August 2019)	10 972 409	–	5.83
AV Cocciantè	634 666	290 335	0.49
<b>Total</b>	<b>11 614 768</b>	<b>1 140 947</b>	<b>6.77</b>

There have been no dealings in Stefanutti Stocks Shares for the period beginning 1 September 2020 and ending on the Last Practicable Date by the Directors, including former Directors who have resigned during the 18 months prior to the Last Practicable Date.

#### 9.5 Directors' Interest in the Transaction

Other than as disclosed in this Circular, the Directors do not have any beneficial interest, whether direct or indirect, in the Transaction nor did they have any material interest in a transaction that was effected by Stefanutti Stocks during:

- the current or immediately preceding the financial year; or
- in an earlier financial year and remaining in any respect outstanding or unperformed.

#### 9.6 Material Loans and Contracts of Stefanutti Stocks

Details relating to material loans made to Stefanutti Stocks are set out in **Annexure 5** of this Circular.

#### 9.7 Material Change

There have been no material changes in the financial or trading position of Stefanutti Stocks since the publication of the interim financial results for the six months ended 31 August 2020 other than that disclosed in the circular dated 22 December 2020 to Shareholders relating to the disposal of the Clayville Properties transaction. On 22 January 2021, Stefanutti Stocks convened a general meeting of shareholders, whereby shareholders approved by way of ordinary resolution the disposal of 4 properties owned, being Erf 447 Clayville Ext 4; Erf 955 Clayville Ext 4; Portion 1 of Erf 955 Clayville Ext 4 and Portion 1 of Erf 1621 Clayville Ext 4 known as 6 and 10 Industry Road Clayville Ext 4 which constituted a Category 1 transaction in terms of the Listings Requirements. This disposal is pursuant to the Restructuring Plan. The Stefanutti Stocks order book at the end of August 2020 was R7.7 billion, and as of the most recent assessment being February 2021, the order book is R6.3 billion.

#### 9.8 Working Capital Statement

Having made due and careful enquiry as to the working capital requirements of Stefanutti Stocks for the twelve months following the date of issue of this Circular, the Board is of the opinion that the working capital facilities of Stefanutti Stocks and its subsidiaries are sufficient for the current requirements of Stefanutti Stocks and will be adequate for at least the next twelve months from the date of issue of this Circular. The Transaction is expected to generate approximately R80 000 000 (subject to adjustments as envisaged in the Transaction Agreement), which will be used by Stefanutti Stocks to strengthen its financial position by reducing its overall existing debt as envisaged under the Restructuring Plan, thereby contributing positively to the working capital requirements.

## 9.9 Litigation Statement

Save as otherwise publicly disclosed, including in the Stefanutti Stocks Integrated Annual Report for the year ended 29 February 2020, there are no legal or arbitration proceedings, including proceedings that are pending or threatened, of which the Group is aware, that may have or have had, in the 12-month period preceding the date of this Circular, a material effect on the Transaction.

## 10. EXPENSES RELATING TO THE TRANSACTION

The estimated expenses that will be incurred by Stefanutti Stocks in respect of the Transaction are approximately R1,746 million, excluding VAT, and include the following:

<b>Nature of expense</b>	<b>Service Providers</b>	<b>R'000</b>
Transaction Advisors	Metis/Birkett Stewart McHendrie	500
Legal Advisors	Webber Wentzel	500
Transaction Sponsor	Bridge Capital Advisors Pty Ltd	150
Independent Reporting Accountants and Auditors	Mazars	371
JSE documentation fees	JSE Limited	75
Printing, publication, distribution expenses	Ince	100
Meeting scrutineers	Computershare	50
<b>TOTAL</b>		<b>1,746</b>

## 11. DIRECTORS' RESPONSIBILITY STATEMENT AND RECOMMENDATION

The Directors, whose names are given on page 10 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular in relation to Stefanutti Stocks and certify that, to the best of their knowledge and belief, no material facts have been omitted which would make any statement in this Circular false or misleading, that all reasonable enquiries to ascertain such facts have been made and that the Circular contains all information as required by the Listings Requirements.

Having regard to the terms and conditions of the Transaction, the Board is of the opinion that the terms of the Transaction are in the best interest of the Shareholders. The Transaction forms part of the disposal of certain non-core assets as envisaged by the Restructuring Plan which aims to put in place the optimal capital structure and access to liquidity to position the Group for long-term growth in this dynamic environment. To this end the Board, recommends that Shareholders vote in favour of the ordinary resolutions as set out in the Notice of General Meeting to approve and authorise the implementation of the Transaction.

## 12. CONSENTS

All parties detailed in the "Corporate Information" section on page 1 of this Circular have consented in writing to the inclusion of their names and reports in the Circular in the form and context in which they appear and have not withdrawn their consents prior to the publication of this Circular. The Independent Reporting Accountants have consented to references to its reports in the form and context in which they appear and has not withdrawn its consents prior to the publication of the Circular.

## 13. GENERAL MEETING AND VOTING RIGHTS

A General Meeting will be held entirely by electronic communication in terms of the MOI and Companies Act on Wednesday, 26 May 2021 at 09:00 in order to consider, and if deemed fit, pass, with or without modification, the resolutions set out in the Notice of General Meeting attached and forming part of this Circular.

Shareholders are referred to the Notice of General Meeting attached to this Circular for detail on the resolutions to be proposed at the General Meeting and to the "Action Required by Shareholders" section of this Circular for information on the procedure to be followed by Shareholders in order to participate and to exercise their votes at the General Meeting.

Every Shareholder present or represented by proxy at the General Meeting shall have all votes determined in accordance with the voting rights associated with the Stefanutti Stocks Shares held by that Shareholder.

The quorum requirement for the General Meeting to begin or for a matter to be considered at the General Meeting is at least three Shareholders present in person. In addition:

- the General Meeting may not begin until sufficient persons are present or represented by proxy to exercise, in aggregate, at least 25% of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the General Meeting; and
- a matter to be decided at the General Meeting may not begin to be considered unless sufficient persons are present or represented by proxy to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda.

Votes at the General Meeting will be taken by way of a poll and not a show of hands. On a poll, any person who is present at the General Meeting, whether as a Shareholder or as proxy for a Shareholder, has the number of votes determined in accordance with the voting rights associated with the Stefanutti Stocks Shares held.

#### 14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered offices of Stefanutti Stocks at No 9 Palala Street, Protec Park, Cnr. Zuurfontein Avenue and Oranjerivier Drive, Kempton Park, 1619, and will also be electronically available by making an email request to the company secretary at [w.somerville@mweb.co.za](mailto:w.somerville@mweb.co.za), from the date of publication of this Circular up to and including the date of the General Meeting:

- the MOI and its major subsidiaries;
- the Agreement;
- the signed Independent Reporting Accountant's assurance report on the compilation of the *pro forma* financial information set out in **Annexure 2**;
- the signed Independent Reporting Accountant's report on the report of historical financial information set out in **Annexure 3**;
- Directors' service contracts;
- material contracts referenced in paragraph 9.6 and **Annexure 6** of this Circular;
- the advisors' consents as per paragraph 12 of this Circular;
- carve-out of the Mining Services Division annual financial statements for the three years ended 29 February 2020, 28 February 2019 and 28 February 2018;
- carve-out of the Mining Services Division interim financial statements for the six months ended 31 August 2020; and
- a signed copy of this Circular.

On behalf of the Board

Russell Crawford  
*Chief Executive Officer*

**Wednesday, 21 April 2021**

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## PRO FORMA FINANCIAL INFORMATION

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### PRO FORMA FINANCIAL INFORMATION ON THE TRANSACTION

#### Basis of Preparation

The definitions and interpretations commencing on page 7 of the Circular have been used throughout this Annexure. The *pro forma* financial information should be read in conjunction with paragraph 5 of the Circular.

Set out below is the *pro forma* Statement of Financial Position and Statement of Comprehensive Income of Stefanutti Stocks, showing the *pro forma* effects of the Transaction (the “*pro forma* financial information”).

The *pro forma* financial information has been provided for illustrative purposes only, to provide information on how the Transaction may have affected the financial position of Stefanutti Stocks, assuming it was implemented on 1 March 2020 for purposes of the *pro forma* Statement of Comprehensive Income and 31 August 2020 for purposes of the *pro forma* Statement of Financial Position. Because of its nature, the *pro forma* financial information may not fairly represent Stefanutti Stocks financial position, changes in equity, results of operations or cash flows after the Transaction.

The *pro forma* financial information, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the Board of Directors. The *pro forma* financial information has been prepared in accordance with Stefanutti Stocks accounting policies and in compliance with IFRS.

The *pro forma* financial information should be read in conjunction with the Independent Reporting Accountant's assurance report thereon, which is presented in **Annexure 2**.



**PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 AUGUST 2020**

	Unaudited six months ended 31 August 2020 (note 2) R'000	Adjustments resulting from disposal of Clayville Properties (note 3) R'000	Pro forma after disposal of Clayville Properties (note 3) R'000	Deconsolidation of subdivisions from group results (Note 5) R'000	Adjustments resulting from disposal of Mining Services Division excluding Contract Mining Sub-Division R'000	Transaction Costs (Note 9) R'000	Pro forma after disposal R'000
Contract revenue	1 662 230	-	1 662 230	-	-	-	1 662 230
<b>Earnings before interest, taxation, depreciation and amortisation (EBITDA)</b>	<b>(44 952)</b>	<b>(769)</b>	<b>(45 721)</b>	-	-	<b>(1 746)</b>	<b>(47 467)</b>
Depreciation	(33 216)	-	(33 216)	-	-	-	(33 216)
Impairment of assets (note 10)	(22 982)	(18)	(23 000)	-	(58 926)	-	(81 926)
<b>Operating loss before investment income</b>	<b>(101 150)</b>	<b>(787)</b>	<b>(101 937)</b>	-	<b>(58 926)</b>	<b>(1 746)</b>	<b>(162 609)</b>
Investment income	18 627	-	18 627	-	-	-	18 627
Share of profits of equity-accounted investees	6 966	-	6 966	-	-	-	6 966
<b>Operating loss before finance costs</b>	<b>(75 557)</b>	<b>(787)</b>	<b>(76 344)</b>	-	<b>(58 926)</b>	<b>(1 746)</b>	<b>(137 016)</b>
Finance costs (note 12)	(56 943)	1 750	(55 193)	-	5 000	-	(50 193)
<b>Loss before taxation</b>	<b>(132 500)</b>	<b>963</b>	<b>(131 537)</b>	-	<b>(53 926)</b>	<b>(1 746)</b>	<b>(187 209)</b>
Taxation (note 13)	(36 658)	2 402	(34 256)	-	-	-	(34 256)
<b>Loss for the period from continuing operations</b>	<b>(169 158)</b>	<b>3 365</b>	<b>(165 793)</b>	-	<b>(53 926)</b>	<b>(1 746)</b>	<b>(221 465)</b>
(Loss)/profit after tax for the period from discontinued operations (note 4, 5 and note 8)	(80 123)	-	(80 123)	(18 021)	29 213	-	(68 931)
<b>Loss for the period</b>	<b>(249 281)</b>	<b>3 365</b>	<b>(245 916)</b>	<b>(18 021)</b>	<b>(24 713)</b>	<b>(1 746)</b>	<b>(290 396)</b>
<b>Other comprehensive income:</b>	<b>(23 615)</b>	-	<b>(23 615)</b>	-	-	-	<b>(23 615)</b>
Exchange differences on translation of foreign operations (may be reclassified to profit/loss)	2 431	-	2 431	-	-	-	2 431
Impairment losses on revalued asset	(26 046)	-	(26 046)	-	-	-	(26 046)
<b>Total comprehensive income</b>	<b>(272 896)</b>	<b>3 365</b>	<b>(269 531)</b>	<b>(18 021)</b>	<b>(24 713)</b>	<b>(1 746)</b>	<b>(314 011)</b>

	Unaudited six months ended 31 August 2020 (note 2) R'000	Adjustments resulting from disposal of Clayville Properties (note 3) R'000	Pro forma after disposal of Clayville Properties (note 3) R'000	Deconsolidation of subdivisions from group results (Note 5) R'000	Adjustments resulting from disposal of Mining Services Division excluding Contract Mining Sub-Division R'000	Transaction Costs (Note 9) R'000	Pro forma after disposal R'000
<b>Loss attributable to:</b>							
Equity holders of the company	(245 951)	3 365	(242 586)	(18 021)	(24 713)	(1 746)	(287 066)
Loss for the period from continuing operations	(165 828)	3 365	(162 463)	–	(53 926)	(1 746)	(218 135)
(Loss)/profit for the period from discontinued operations	(80 123)	–	(80 123)	(18 021)	29 213	–	(68 931)
Non-controlling interest	(3 330)	–	(3 330)	–	–	–	(3 330)
Loss for the period from continuing operations	(3 330)	–	(3 330)	–	–	–	(3 330)
Loss for the period from discontinued operations	–	–	–	–	–	–	–
	<b>(249 281)</b>	<b>3 365</b>	<b>(245 916)</b>	<b>(18 021)</b>	<b>(24 713)</b>	<b>(1 746)</b>	<b>(290 396)</b>
<b>Total comprehensive income attributable to:</b>							
Equity holders of the company	(271 028)	3 365	(267 663)	(18 021)	(24 713)	(1 746)	(312 143)
Loss for the period from continuing operations	(169 725)	3 365	(166 360)	–	(53 926)	(1 746)	(222 032)
(Loss)/profit for the period from discontinued operations	(101 303)	–	(101 303)	(18 021)	29 213	–	(90 111)
Non-controlling interest	(1 868)	–	(1 868)	–	–	–	(1 868)
Loss for the period from continuing operations	(1 868)	–	(1 868)	–	–	–	(1 868)
Loss for the period from discontinued operations	–	–	–	–	–	–	–
	<b>(272 896)</b>	<b>3 365</b>	<b>(269 531)</b>	<b>(18 021)</b>	<b>(24 713)</b>	<b>(1 746)</b>	<b>(314 011)</b>

	Unaudited six months ended 31 August 2020 (note 2) R'000	Adjustments resulting from disposal of Clayville Properties (note 3) R'000	Pro forma after disposal of Clayville Properties (note 3) R'000	Deconsolidation of subdivisions from group results (Note 5) R'000	Adjustments resulting from disposal of Mining Services Division excluding Contract Mining Sub-Division R'000	Transaction Costs (Note 9) R'000	Pro forma after disposal R'000
<b>Earnings per share (cents)</b>							
Continuing operations	(99.15)	2.01	(97.14)	–	(32.24)	(1.04)	(130.42)
Discontinuing operations	(47.91)	–	(47.91)	(10.78)	17.47	–	(41.22)
<b>Total operations</b>	<b>(147.06)</b>	<b>2.01</b>	<b>(145.05)</b>	<b>(10.78)</b>	<b>(14.77)</b>	<b>(1.04)</b>	<b>(171.64)</b>
<b>Diluted earnings per share (cents)</b>							
Continuing operations	(99.15)	2.01	(97.14)	–	(32.24)	(1.04)	(130.42)
Discontinuing operations	(47.91)	–	(47.91)	(10.78)	17.47	–	(41.22)
<b>Total operations</b>	<b>(147.06)</b>	<b>2.01</b>	<b>(145.05)</b>	<b>(10.78)</b>	<b>(14.77)</b>	<b>(1.04)</b>	<b>(171.64)</b>
<b>Headline earnings per share (cents)</b>							
Continuing operations	(86.01)	2.02	(83.99)	–	2.99	(1.04)	(82.04)
Discontinuing operations	(42.41)	–	(42.41)	(10.71)	0.06	–	(53.05)
<b>Total operations</b>	<b>(128.42)</b>	<b>2.02</b>	<b>(126.40)</b>	<b>(10.71)</b>	<b>3.05</b>	<b>(1.04)</b>	<b>(135.09)</b>
<b>Diluted headline earnings per share (cents)</b>							
Continuing operations	(86.01)	2.02	(83.99)	–	2.99	(1.04)	(82.04)
Discontinuing operations	(42.41)	–	(42.41)	(10.71)	0.06	–	(53.05)
<b>Total operations</b>	<b>(128.42)</b>	<b>2.02</b>	<b>(126.40)</b>	<b>(10.71)</b>	<b>3.05</b>	<b>(1.04)</b>	<b>(135.09)</b>
Number of weighted average Shares in issue	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684
Number of diluted weighted average Shares in issue	188 080 746	188 080 746	188 080 746	188 080 746	188 080 746	188 080 746	188 080 746

## Headline earnings reconciliation

	Unaudited six months ended 31 August 2020 (note 2) R'000	Adjustments resulting from disposal of Clayville Properties (note 3) R'000	Pro forma after disposal of Clayville Properties (note 3) R'000	Deconsolidation of subdivisions from group results R'000	Adjustments resulting from disposal of Mining Services Division excluding Contract Mining Sub-Division R'000	Transaction Costs (Note 9) R'000	Pro forma after disposal R'000
<b>Continuing operations</b>							
Loss attributable to equity holders of the company	(165 828)	3 365	(162 463)	–	(53 926)	(1 746)	(218 135)
Profit on disposal of property, plant and equipment	(3 317)	–	(3 317)	–	–	–	(3 317)
Tax effect	928	–	928	–	–	–	928
Net loss on sale of subsidiaries	1 387	–	1 387	–	–	–	1 387
Impairment of assets/goodwill	22 982	18	23 000	–	58 926	–	81 926
<b>Headline earnings</b>	<b>(143 848)</b>	<b>3 383</b>	<b>(140 465)</b>	<b>–</b>	<b>5 000</b>	<b>(1 746)</b>	<b>(137 211)</b>
<b>Total operations</b>							
Loss attributable to equity holders of the company	(245 951)	3 365	(242 586)	(18 021)	(24 713)	(1 746)	(287 066)
Profit on disposal of property, plant and equipment	(10 781)	–	(10 781)	109	(29 104)	–	(39 776)
Tax effect	3 020	–	3 020	–	–	–	3 020
Net loss on sale of subsidiaries	1 387	–	1 387	–	–	–	1 387
Loss on re-measurement to fair value less costs to sell	12 953	–	12 953	–	–	–	12 953
Impairment of assets/goodwill	24 603	18	24 621	–	58 926	–	83 547
<b>Headline earnings</b>	<b>(214 769)</b>	<b>3 383</b>	<b>(211 386)</b>	<b>(17 912)</b>	<b>5 109</b>	<b>(1 746)</b>	<b>(225 935)</b>

Treasury shares were not included in the calculation of diluted earnings per share and diluted headline earnings per share as their effect is anti-dilutive.

## Notes and assumptions

1. The *pro forma* Statement of Comprehensive Income (“**SOCI**”) figures illustrate the possible financial effects if the Transaction had taken place on 1 March 2020.
2. The *pro forma* SOCI (“Unaudited six months ended 31 August 2020” column) has been extracted from the published unaudited financial information of Stefanutti Stocks for the period ended 31 August 2020, as released on SENS on 26 November 2020.
3. The *pro forma* “Adjustments resulting from the disposal of Clayville Properties” has been extracted from the circular issued to shareholders on 22 December 2020.
4. The Mining Services Division was disclosed as a discontinued operation in the Statement of Comprehensive Income (SOCI) for the period ended 31 August 2020.
5. The financial information relating to deconsolidation of the Materials Handling and Tailings Management Sub-Divisions from the Group results can be disclosed as follows:

<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>R'000</b>
Revenue	(169 572)
<b>Earnings before interest, taxation, depreciation and amortisation (EBITDA)</b>	<b>(19 020)</b>
Depreciation and amortisation	1 751
Impairment of assets	–
<b>Operating profit before investment income</b>	<b>(17 269)</b>
Investment income (note 6)	(798)
Share of profits of equity-accounted investees	–
<b>Operating profit before finance costs</b>	<b>(18 067)</b>
Finance costs	46
<b>Profit before taxation</b>	<b>(18 021)</b>
Taxation (note 7)	–
<b>Profit for the period after taxation</b>	<b>(18 021)</b>

6. The sub-divisions within the Mining Services Division use only one central bank facility. As the other sub-division is in a loss making position, it was assumed that all investment income earned be allocated to Materials, Handling Sub-Division and Tailings Management Sub-Division. The amount represents actual interest earned for the period 1 March 2020 to 31 August 2020.
7. The above sub-divisional results are consolidated into the tax calculation of Stefanutti Stocks Proprietary Limited. These sub-divisions form part of one statutory entity and for that reason is not assessed separately for tax purposes. Assumptions could be applied to allocate proportions of tax income/expenses and corresponding tax/deferred tax assets and liabilities- the rights and obligations with regards to the legal tax assets/liabilities as stated however would be assigned to the statutory entity Stefanutti Stocks Proprietary Limited. It was assumed that there was no tax effect on the transaction as Stefanutti Stocks Proprietary Limited is in an assessed loss position.
8. The two sub-divisions are disposed of for a value of R80 million. The profit on sale of disposal amounts to R29 million calculated as follows:

<b>Calculation of Net Asset Value as on 29 February 2020</b>	<b>R'000</b>
<b>Non-current assets: Property, plant and equipment</b>	<b>14 287</b>
<b>Guaranteed working capital as per agreement</b>	<b>30 000</b>
Current assets	66 127
Current liabilities	(64 850)
Purchase price adjustment to ensure working capital equals R30 million	28 723
<b>Guaranteed cash balance as per agreement</b>	<b>6 500</b>
<b>Calculated Net Asset Value</b>	<b>50 787</b>
<b>Calculation of profit on disposal</b>	<b>R'000</b>
Proceeds (note 11)	80 000
Calculated Net Asset Value	50 787
Profit on disposal	29 213

9. Being the estimated transaction costs for the Transaction.
10. Goodwill impairment attached to the Mining Services Division of R58 million impaired due to disposal.
11. The proceeds, (as per the sale agreement of R80 million) will be utilised for settlement of current debt.
12. The settlement of debt will result in a decrease of finance costs of R5 million (continuing effect on the income statement), which was calculated using an interest rate of 12,5%.
13. No adjustment for tax was made on the interest saving as the Group is currently in a tax loss position.
14. There have been no material subsequent events which will impact the above transaction.

**PRO FORMA STATEMENT OF FINANCIAL POSITION AT 31 AUGUST 2020**

	Unaudited six months ended 31 August 2020 (note 15) R'000	Adjustments resulting from disposal of Clayville Properties (note 16) R'000	Pro forma after disposal of Clayville Properties (Note 16) R'000	Adjustments resulting from disposal of Mining Services Division excluding Contract Mining Sub-Division (Note 17) R'000	Transaction Costs (Note 9) R'000	Pro forma after disposal R'000
<b>Assets</b>						
<b>Non-current assets</b>	1 168 763	2 402	1 171 165	(58 926)	–	1 112 239
Property, plant and equipment	488 041	–	488 041	–	–	488 041
Equity-accounted investees	29 526	–	29 526	–	–	29 526
Goodwill and intangible assets (note 10)	404 591	–	404 591	(58 926)	–	345 665
Deferred tax assets	246 605	2 402	249 007	–	–	249 007
<b>Current assets</b>	3 341 073	(769)	3 340 304	–	–	3 340 304
Other current assets	2 481 975	–	2 481 975	–	–	2 481 975
Taxation	85 307	–	85 307	–	–	85 307
Bank balances	773 791	(769)	773 022	–	–	773 022
Non-current assets held for sale	1 734 712	(28 000)	1 706 712	(76 383)	–	1 630 329
<b>Total assets</b>	<b>6 244 548</b>	<b>(26 367)</b>	<b>6 218 181</b>	<b>(135 309)</b>	<b>–</b>	<b>6 082 872</b>
<b>Equity and liabilities</b>						
<b>Capital and reserves</b>	438 770	1 633	440 403	(28 022)	(1 746)	410 635
Share capital and premium	1 007 718	–	1 007 718	–	–	1 007 718
Other reserves	203 358	(8 323)	195 035	–	–	195 035
Accumulated loss	(752 200)	9 956	(742 244)	(28 022)	(1 746)	(772 012)
Equity holders of the company	458 876	1 633	460 509	(28 022)	(1 746)	430 741
Non-controlling interest	(20 106)	–	(20 106)	–	–	(20 106)
<b>Liabilities</b>						
<b>Non-current liabilities</b>	480 740	–	480 740	–	–	480 740
Other financial liabilities	222 275	–	222 275	–	–	222 275
Excess billings over work done	171 010	–	171 010	–	–	171 010
Provisions	87 455	–	87 455	–	–	87 455

	Unaudited six months ended 31 August 2020 (note 15) R'000	Adjustments resulting from disposal of Clayville Properties (note 16) R'000	Pro forma after disposal of Clayville Properties (Note 16) R'000	Adjustments resulting from disposal of Mining Services Division excluding Contract Mining Sub-Division (Note 17) R'000	Transaction Costs (Note 9) R'000	Pro forma after disposal R'000
<b>Current liabilities</b>	4 512 094	(28 000)	4 484 094	(80 000)	1 746	4 405 840
Other current liabilities (note 11)	2 565 936	(28 000)	2 537 936	(80 000)	1 746	2 459 682
Excess billings over work done	1 108 561	–	1 108 561	–	–	1 108 561
Provisions	728 652	–	728 652	–	–	728 652
Taxation	90 760	–	90 760	–	–	90 760
Bank overdraft	18 185	–	18 185	–	–	18 185
Liabilities directly associated with discontinued operations (note 16)	812 944	–	812 944	(27 287)	–	785 657
<b>Total equity and liabilities</b>	<b>6 244 548</b>	<b>(26 367)</b>	<b>6 218 181</b>	<b>(135 309)</b>	<b>–</b>	<b>6 082 872</b>

#### Notes and assumptions

15. The *pro forma* Statement of Financial Position (“Unaudited six months ended 31 August 2020” column) has been extracted from the published unaudited financial information of Stefanutti Stocks for the period ended 31 August 2020 as released on SENS on 26 November 2020.
16. The *pro forma* “Adjustments resulting from the disposal of Clayville Properties” has been extracted from the circular issued to shareholders on 22 December 2020.
17. The financial information relating to “Adjustments resulting from disposal of Mining Services Division excluding Contract Mining Sub-Division” can be disclosed as follows:

Deconsolidation of subdivision of group results

STATEMENT OF FINANCIAL POSITION	R'000
<b>Assets</b>	
<b>Non-current assets</b>	<b>71 522</b>
Property, plant and equipment	12 596
Goodwill (note 10)	58 926
<b>Current assets</b>	<b>63 787</b>
Other current assets (Current assets – R 57 287 + guaranteed cash balance note 18)	63 787
<b>Total assets</b>	<b>135 309</b>
<b>Equity and liabilities</b>	
<b>Accumulated loss</b>	<b>28 022</b>
Profit on disposal (note 17)	(30 904)
Goodwill impairment (note 10)	58 926
<b>Current liabilities</b>	<b>107 287</b>
Other current liabilities (including settlement of debt with proceeds received of R80 million)	100 507
Provisions	6 780
<b>Total equity and liabilities</b>	<b>135 309</b>

<b>Calculation of Net Asset Value as on 31 August 2020</b>		<b>R'000</b>
<b>Non-current assets: Property, plant and equipment</b>		<b>12 596</b>
<b>Guaranteed working capital as per agreement</b>		<b>30 000</b>
Current assets		57 287
Current liabilities including provisions of R6 780		(60 423)
Purchase price adjustment to ensure working capital equals R30 million (note 19)		33 136
<b>Guaranteed cash balance as per agreement (Note 18)</b>		<b>6 500</b>
<b>Calculated Net Asset Value</b>		<b>49 096</b>
<b>Calculation of profit on disposal</b>		<b>R'000</b>
Proceeds (note 11)		80 000
Calculated Net Asset Value		49 096
Profit on disposal		30 904

18. Included within other current assets is a cash balance of R6,5 million which forms part of the requirements of the sale agreement.
19. A purchase price adjustment of R33 million was made to ensure a positive working capital cycle of R30 million is maintained as required per the "Purchase Consideration" definition.
20. The above sub-divisional results are consolidated into the tax calculation of Stefanutti Stocks Proprietary Limited. These sub-divisions form part of one statutory entity and for that reason are not assessed separately for tax purposes. The rights and obligations with regards to the legal tax assets/liabilities as stated would be assigned to the statutory entity Stefanutti Stocks Proprietary Limited as opposed to the sub-divisions, hence no tax effects were recognised.
21. Total number of net shares in issue: 167 243 684  
Net asset value per share (cents): 257,55  
Net tangible asset value per share (cents): 50,87



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## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION

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21 April 2021

The Directors of Stefanutti Stocks Holdings Limited  
No. 9 Palala Street  
Protec Park  
Cnr. Zuurfontein Avenue and Oranjerivier Drive  
Kempton Park  
1619

### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF THE *PRO FORMA* FINANCIAL INFORMATION OF THE GROUP

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Stefanutti Stocks Holdings Limited ("Stefanutti Stocks" or the "Group") by the Directors.

The *pro forma* financial information, as set out in **Annexure 1** of the Circular, consist of a Consolidated Statement of Comprehensive Income and a Consolidated *Pro Forma* Statement of Financial Position and related assumptions. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the Listings Requirements.

The *pro forma* financial information has been compiled by the Directors to illustrate the impact of the corporate action or event, described in the Circular, on the Group's financial position as at 31 August 2020 for purposes of the Statement of Financial Position and 1 March 2020 for the Statement of Comprehensive Income. As part of this process, information about the Group's financial position and financial performance has been extracted by the Directors from the Group's unaudited interim financial statements for the period ended 31 August 2020.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The Directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the Listings Requirements and described in **Annexure 1** of the Circular and the SAICA Guide on *Pro Forma* Financial Information, revised and issued in September 2014 ("Applicable Criteria").

### OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code), which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Mazars applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### INDEPENDENT REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus which is applicable to an engagement of this nature. This standard requires that we comply with the ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in the compiling of the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event has occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 31 August 2020 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria, involves performing procedure to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis of opinion.

## **OPINION**

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the Listings Requirements and described in paragraph 5.1 of the Circular and **Annexure 1**.

## **RESTRICTION OF USE**

This report has been prepared for the purpose of satisfying the requirements of the Listings Requirements, and for no other purpose.

## **MAZARS**

Registered Auditors  
Partner: Susan Truter  
Registered Auditor  
Chartered Accountants (SA)

**21 April 2021**

Mazars House, 54 Glenhove Road, Melrose Estate

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## INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF THE MINING SERVICES DIVISION EXCLUDING CONTRACT MINING SUB-DIVISION

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The Directors of Stefanutti Stocks Holdings Limited  
No. 9 Palala Street  
Protec Park  
Cnr Zuurfontein Avenue and Oranjerivier Drive  
Kempton Park  
1619

**21 April 2021**

Dear Sirs

### INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF THE MINING SERVICES DIVISION EXCLUDING CONTRACT MINING SUB-DIVISION INCLUDED IN THE CIRCULAR TO STEFANUTTI STOCKS SHAREHOLDERS

#### Introduction

This Reporting Accountant's Report on the Carve-out Historical Financial Information of the Mining Services Division excluding Contract Mining Sub-Division is prepared to comply with the Listings Requirements of the JSE and for inclusion in the Circular to be issued to Shareholders of Stefanutti Stocks Holdings Limited on or about 28 April 2021.

At your request and for the purposes of the Circular, we have:

- audited the carve-out historical financial information of the Mining Services Divisions excluding Contract Mining Sub-Division ("the Subject Matter") in respect of the year ended 29 February 2020 which are being sold by Stefanutti Stocks after the period ended 31 August 2020 as presented in **Annexure 4** to the Circular dated 28 April 2021 ("the Circular");
- reviewed the carve-out historical financial information of the Subject Matter in respect of the year ended 28 February 2019 as presented in **Annexure 4** to the Circular;
- reviewed the carve-out historical financial information of the Subject Matter in respect of the year ended 28 February 2018 as presented in **Annexure 4** to the Circular; and
- reviewed the carve-out historical financial information of the Subject Matter for the period ended 31 August 2020 as presented in **Annexure 4** to the Circular.

#### Carve-Out Historical Financial Information for the year ended 29 February 2020

##### Opinion

The historical financial information in respect of the year ended 29 February 2020 as presented in **Annexure 4** to the Circular comprises the Carve-Out Statement of Financial Position as at 29 February 2020, and the Carve-Out Statement of Comprehensive Income, and the Carve-Out notes to the historical financial information, including the accounting policies.

In our opinion, the Carve-Out historical financial information presents fairly, in all material respects, the Carve-Out Statement of Financial Position of the Subject Matter as at 29 February 2020, and its Carve-Out Statement of Comprehensive Income for the year then ended in accordance with the basis of preparation paragraph in note 1.1 and the Listings Requirements.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Historical Financial Information for the year ended 29 February 2020* section of our report. We are independent of

the Subject Matter in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Directors' responsibility for the historical combined financial information***

The Company's Directors are responsible for the preparation and fair presentation of the Carve-Out historical financial information for the year ended 29 February 2020 in accordance with the basis of preparation and the Listings Requirements, and for such internal control as the Directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

In preparing the Carve-Out historical financial information, the Directors are responsible for assessing the Subject Matter's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Subject Matter or to cease operations, or have no realistic alternative but to do so.

#### ***Auditor's responsibilities for the audit of the carve-out historical financial information for the year ended 29 February 2020***

Our objectives are to obtain reasonable assurance about whether the historical financial information for the year ended 29 February 2020 as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the historical financial information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the historical financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Subject Matter's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Subject Matter's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the historical financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Subject Matter to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the historical financial information, including the disclosures, and whether the historical financial information represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Carve-out historical financial information for the period ended 31 August 2020 and years ended 28 February 2019 and 28 February 2018**

We have reviewed the Carve-out historical financial information of the Subject Matter, as presented in **Annexure 4** to the Circular, which comprise the carve-out statements of financial position as at 31 August 2020, 28 February 2019 and 28 February 2018 and the Carve-Out statements of comprehensive income, including a summary of significant accounting policies and explanatory notes.

#### ***Directors' responsibility for the historical financial information***

The Directors are responsible for the preparation and fair presentation of the Carve-Out historical financial information in accordance with the basis of preparation and the Listings Requirements, and for such internal control as the Directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

#### ***Auditor's responsibility for the review of the carve-out historical financial information for the period ended 31 August 2020 and years ended 28 February 2019 and 28 February 2018***

Our responsibility is to express a conclusion on the carve-out historical financial information. We conducted our review in accordance with International Standards on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements*. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the historical financial information is not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with ISRE 2400 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the historical financial information.

#### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the carve-out historical financial information of the Subject Matter for the period ended 31 August 2020 and years ended 28 February 2019 and 28 February 2018 do not present fairly, in all material respects, the Carve-Out financial position of the Subject Matter as at 31 August 2020, 28 February 2019 and 28 February 2018, and its carve-out financial performance for the years then ended, in accordance with the basis of preparation in note 1.1 and the Listing Requirements.

#### ***Purpose of the report***

The purpose of our report is for the Circular of Stefanutti Stocks Holdings Limited and is not to be used for any other purpose.

#### **MAZARS**

Registered Auditors  
Partner: Susan Truter  
Registered Auditor  
Chartered Accountants (SA)

**21 April 2021**

Mazars House, 54 Glenhove Road, Melrose Estate

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## EXTRACTS OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS RELATING TO THE CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF MINING SERVICES DIVISION EXCLUDING THE CONTRACT MINING SUB-DIVISION FOR THE YEARS ENDED 28 FEBRUARY 2018, 28 FEBRUARY 2019, 29 FEBRUARY 2020 AND PERIOD ENDED 31 AUGUST 2020

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### Introduction and basis of preparation

As announced on SENS on 1 April 2021 Stefanutti Stocks Proprietary Limited, registration number 2003/022221/07, (the “**Seller**”), and Akhona Mining Services Proprietary Limited, registration number 2018/524955/07, (the “**Purchaser**”) have entered into a sale of business agreement (the “**Agreement**”) dated 31 March 2021. In terms of the Agreement, the Mining Services Division of the Seller, comprising the Materials Handling and Tailings Management sub-divisions and excluding the Contract Mining Sub-Division, will be sold to the Purchaser on the terms and conditions set out in the Agreement, including the Seller giving certain warranties and undertakings related to Mining Services Division to the Purchaser, which terms and conditions are customary for a Transaction of this nature.

The Mining Services Division will be purchased by the Purchaser for R80 million (Eighty Million Rand) provided that the Purchase Consideration may be adjusted (upwards or downwards) in accordance with the terms of the Agreement (the “**Purchase Consideration**”).

The Transaction is subject to the fulfilment and/or waiver of Conditions Precedent customary for a Transaction of this nature including:

- the resolutions required to approve the Transaction having been adopted by the requisite majority of the Stefanutti Stocks Shareholders, and a copy thereof being provided to the Purchaser;
- the Group obtaining the requisite written consents of the Lenders for the implementation of the Transaction due to the Mining Services Division forming part of the security given to the Lenders in terms of the Project Nutella facility disclosed in **Annexure 5**;
- the conclusion and execution of a transitional services agreement between the Seller and Purchaser.

As previously disclosed to Shareholders, a strategic restructuring team has been appointed, including the appointment of a Chief Restructuring Officer, to advise on and assist with the development and implementation of a detailed turnaround programme for the Group, including the securing of requisite additional short-term funding from the company’s primary banker and guarantee providers (“**Lenders**”) and the subsequent restructuring of all such short-term funding into appropriate longer-term funding (the “**Restructuring Plan**”). The Restructuring Plan envisages among others:

- (i) the sale of non-core assets;
- (ii) the sale of underutilised plant and equipment;
- (iii) the sale of certain division/subsidiaries;
- (iv) internal restructuring initiatives required to restore optimal operational and financial performance;
- (v) the securing of additional short-term funding of R430 million, of which R270 million relates to the negative effects of the national lockdown due to the COVID-19;
- (vi) a favourable outcome from the processes, relating to the contractual claims and compensation events on the Kusile power project;
- (vii) the restructuring of the short-term funding received to date from the Lenders into a term loan; and
- (viii) evaluation of an optimum business model and associated capital structure analysis including the potential of raising new equity.

The funds obtained from the Transaction will be applied to the reduction of Stefanutti Stocks’ current funding facilities provided by the Lenders.

This Special Purpose Carve-Out Historical Financial Information has been prepared in accordance with paragraph 8.2(E) of the Listings Requirements which requires, among others, that the Special Purpose Carve-Out Historical Financial Information be presented in respect of the subject of the Category 1 transaction, namely, the Disposal Entity.

A Statement of Cash Flow and statement of changes in equity have not been presented in this Special Purpose Carve-Out Historical Financial Information as this is not considered to be meaningful as the Company is disposing of two sub-divisions within the Mining Services Division that forms part of a separate legal entity – Stefanutti Stocks Proprietary Limited, a subsidiary of Stefanutti Stocks, consisting of various other divisions. These sub-divisions cannot be considered a separate revenue generating business unit or separate legal entity with separate equity and cash flows, nor does it have separate bank accounts to isolate the cashflows.

The Special Purpose Carve-Out Historical Financial Information has been extracted from the audited financial statements of the Company for the years ended 28 February 2018, 28 February 2019 and 29 February 2020 as well as the unaudited results for the six-month period ending 31 August 2020. The Special Purpose Carve-Out Historical Financial Information has been prepared in accordance with the accounting policies of the Company in compliance with IFRS and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The Special Purpose Carve-Out Historical Financial Information has been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

The accounting policies as well as the methods of computation used in the preparation of the extract of results for the year ended 29 February 2020 and 28 February 2019 are in terms of IFRS and are consistent with those applied in the extract of results for the year ended 28 February 2018 except for the adoption of new standards. The Group has adopted IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers and IFRS 16: Leases with effect from 1 March 2018.

Mazars, who is the Independent Reporting Accountant to the Company, conducted the review of the Special Purpose Carve-Out Historical Financial Information for the period ended 31 August 2020 and years ended 28 February 2019 and 28 February 2018 and audit of the Special Purpose Carve-Out Historical Information for the year ended 29 February 2020 in accordance with International Standards on Auditing and reported without qualification on the Special Purpose Carve-Out Historical Financial Information.

The Directors are responsible for the preparation and presentation of the Special Purpose Carve-Out Historical Financial Information.

**CARVE-OUT HISTORICAL INFORMATION AT 28 FEBRUARY 2018, 28 FEBRUARY 2019, 29 FEBRUARY 2020 AND 31 AUGUST 2020**

**CARVE-OUT STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Reviewed six months ended 31 August 2020 R'000	Audited 29 February 2020 R'000	Reviewed 28 February 2019 R'000	Reviewed 28 February 2018 R'000
Contract revenue	2	169 572	389 320	418 935	315 174
Other Income	3	109	62	195	491
Operating and administration expenses		(150 933)	(347 161)	(371 642)	(296 600)
Net expected credit losses	8,12	272	(335)	87	(86)
<b>Earnings before interest, taxation, depreciation and amortisation (EBITDA)</b>	3	<b>19 020</b>	<b>41 886</b>	<b>47 575</b>	<b>18 979</b>
Depreciation	5	(1 751)	(6 927)	(8 497)	(4 921)
<b>Operating profit before investment income</b>		<b>17 269</b>	<b>34 959</b>	<b>39 078</b>	<b>14 058</b>
Investment income <sup>1</sup>		–	–	–	–
<b>Operating profit before finance costs</b>		<b>17 269</b>	<b>34 959</b>	<b>39 078</b>	<b>14 058</b>
Finance costs	4	(46)	(437)	(741)	(355)
<b>Profit before taxation</b>		<b>17 223</b>	<b>34 522</b>	<b>38 337</b>	<b>13 703</b>
Taxation <sup>2</sup>		–	–	–	–
<b>Profit for the period</b>		<b>17 223</b>	<b>34 522</b>	<b>38 337</b>	<b>13 703</b>
Loss after tax for the period from discontinued operations		–	–	–	–
<b>Profit for the period</b>		<b>17 223</b>	<b>34 522</b>	<b>38 337</b>	<b>13 703</b>
<b>Other comprehensive income:</b>		–	–	–	–
Exchange differences on translation of foreign operations (may be reclassified to profit/loss)		–	–	–	–
<b>Total comprehensive income</b>		<b>17 223</b>	<b>34 522</b>	<b>38 337</b>	<b>13 703</b>
<b>Profit attributable to:</b>		<b>17 223</b>	<b>34 522</b>	<b>38 337</b>	<b>13 703</b>
Equity holders of the company		17 223	34 522	38 337	13 703
Non-controlling interest		–	–	–	–
<b>Total comprehensive income attributable to:</b>		<b>17 223</b>	<b>34 522</b>	<b>38 337</b>	<b>13 703</b>
Equity holders of the company		17 223	34 522	38 337	13 703
Non-controlling interest		–	–	–	–

1. The Mining Services Division is managed using one central bank facility – the entity is thus unable to provide/allocate the information to sub-divisions unless assumptions and a notional allocation basis are determined and used. It is unlikely that any real economic substance or compliance with accounting standards will be achieved by the allocation basis so no audit or review opinion could be expressed on this.

2. The above sub-divisional results are consolidated into the tax calculation of Stefanutti Stocks Proprietary Limited. These sub-divisions form part of one statutory entity and for that reason is not assessed separately for tax purposes. Assumptions could be applied to allocate proportions of tax income/expenses and corresponding tax/deferred tax assets and liabilities – the rights and obligations with regards to the legal tax assets/liabilities as stated however would be assigned to the statutory entity Stefanutti Stocks Proprietary Limited as opposed to the sub-divisions in which case no audit/review opinion can be expressed on these balances.



## CARVE-OUT STATEMENT OF FINANCIAL POSITION

	Notes	Reviewed 31 August 2020 R'000	Audited 29 February 2020 R'000	Reviewed 28 February 2019 R'000	Reviewed 28 February 2018 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	12 596	14 287	22 715	28 117
Deferred tax assets <sup>3</sup>		–	–	–	–
<b>Current assets</b>					
Inventories	6	519	541	264	284
Contracts in progress	7	1 109	1 040	1 899	1 856
Trade and other receivables	8	55 659	64 546	48 887	67 090
Taxation <sup>3</sup>		–	–	–	–
Bank balances <sup>4</sup>		–	–	–	–
<b>Assets</b>		<b>69 883</b>	<b>80 414</b>	<b>73 765</b>	<b>97 347</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Reserves</b>					
Reserves		508	508	508	508
Revaluation reserve		508	508	508	508
<b>Non-current liabilities</b>					
Financial liabilities	9	–	–	2 059	4 812
<b>Current liabilities</b>					
Financial liabilities	9	3 449	2 103	3 759	2 646
Trade and other payables	10	50 194	53 302	42 273	41 130
Provisions	11	6 780	9 445	5 748	–
Taxation <sup>3</sup>		–	–	–	–
<b>Equity and liabilities</b>		<b>60 931</b>	<b>65 358</b>	<b>54 347</b>	<b>49 096</b>
<b>Total net assets</b>		<b>8 952</b>	<b>15 056</b>	<b>19 418</b>	<b>48 251</b>

3. The above sub-divisional results are consolidated into the tax calculation of Stefanutti Stocks Proprietary Limited. These sub-divisions form part of one statutory entity and for that reason is not assessed separately for tax purposes. Assumptions could be applied to allocate proportions of tax income/expenses and corresponding tax/deferred tax assets and liabilities- the rights and obligations with regards to the legal tax assets/liabilities as stated however would be assigned to the statutory entity Stefanutti Stocks Proprietary Limited as opposed to the sub-divisions in which case no audit/review opinion can be expressed on these balances.

4. The Mining Services Division only has one bank account through which all sub-divisions, i.e. Contract Mining, Tailings Management and Materials Handling trade therefore cash balances cannot be separately identified. There is no logical method that can be applied to allocate a portion of total cash balances (opening and closing) to these sub-divisions, and thus no way to audit and express an opinion on such a number. A further implication of this is that it is not possible to determine the numbers required to calculate or audit/review a Statement of Cash Flows.

## **Notes to the carve-out financial statements:**

The Group historically prepared separate financial information for the Mining Services Division for inclusion in the Stefanutti Stocks Proprietary Limited statutory financial statements. The financial information for the separate sub-divisions of the Mining Services Division, however, has never been prepared separately. The sub-divisions of the Mining Services were and are managed and functioning using only one bank account and for income tax purposes forms part of Stefanutti Stocks Proprietary Limited.

The following historical financial information balances and items were identified to not be specifically allocated to the Materials Handling and Tailings Management sub-divisions as these were historically managed as under the ownership of the Mining Services Division, a division of Stefanutti Stocks Proprietary Limited, hence only presenting carve-out financial information for these entities.

### **Statement of Comprehensive Income – Investment income**

The Mining Services Division is managed using one central bank facility – the entity is thus unable to provide/allocate the information to sub-divisions unless assumptions and a notional allocation basis are determined and used.

### **Statement of Comprehensive Income and Statement of Financial Position – Taxation and Deferred tax**

The above departmental results are consolidated into the tax calculation of Stefanutti Stocks Proprietary Limited. Mentioned sub-divisions are sub-divisions and form part of one statutory entity and for that reason is not assessed separately for tax purposes. Assumptions could be applied to allocate proportions of tax income/expenses and corresponding tax/deferred tax assets and liabilities – the rights and obligations with regards to the legal tax assets/liabilities, however, would be assigned to the statutory entity Stefanutti Stocks Proprietary Limited as opposed to the sub-divisions.

### **Statement of Financial Position and Statement of Cash Flows – Cash and Cash Equivalents**

The Mining Services Division only has one bank account through which all sub-divisions, i.e. Contract Mining, Tailings Management and Materials Handling trade therefore cash balances cannot be separately identifiable. There is no logical method that can be applied to allocate a portion of total cash balances (opening and closing) to the division. A further implication of this is that it is not possible to determine the numbers required to calculate a Statement of Cash Flows.

### **BASIS OF PREPARATION AND ACCOUNTING POLICIES RELEVANT TO 31 AUGUST 2020**

The reviewed results for the period ended 31 August 2020 have been prepared in accordance with framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The report contains the information required by *International Accounting Standard IAS 34: Interim Financial Reporting* and is in compliance with the Listings Requirements of the JSE and the requirements of the Companies Act. The accounting policies as well as the methods of computation used in the preparation of the results for the period ended 31 August 2020 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 29 February 2020.

There is no significant difference between the carrying amounts of financial assets and liabilities and their fair values. The fair value measurement for land and buildings are categorised as a level 3, based on the valuation method of income capitalisation using unobservable inputs i.e. market capitalisation rates and income/expenditure ratio.

## **BASIS OF PREPARATION, ACCOUNTING POLICIES AND NOTES RELEVANT TO 28 FEBRUARY 2018, 28 FEBRUARY 2019 AND 29 FEBRUARY 2020**

### **1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

The preparation of annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events and are believed to be reasonable under the circumstances. Actual results may differ from the estimates made by management.

**IN THE PROCESS OF APPLYING THE ENTITY'S ACCOUNTING POLICIES, THE DIRECTORS HAVE MADE THE FOLLOWING ESTIMATES AND JUDGEMENTS THAT HAVE THE MOST SIGNIFICANT EFFECTS ON THE AMOUNTS RECOGNISED AND DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS:**

#### **REVENUE FROM CONTRACTS WITH CUSTOMERS (NOTE 2)**

Revenue is recognised over time as the Group transfers control of goods and services to the customer whilst enhancing an asset controlled by the customer. The output method is followed in measuring the progress towards satisfaction of the performance obligations. Revenue is measured with reference to surveys of work performed. When the surveys of work performed cannot be determined reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. When management estimates, based on the cost of work performed to date in relation to the total work to be performed, that the total costs to be incurred to complete a contract will be in excess of the estimated total revenue from the contract, the full expected loss to be incurred is recognised immediately or any penalties arising from failure to fulfil it, whichever is the least net cost.

Certain contracts include penalty provisions, claims and a change of scope of work to be performed which constitutes variable consideration. Variable consideration is measured either at the most likely outcome method or expected value method and is considered at each reporting date. The most appropriate method is selected for each contract and applied consistently throughout the contract term. In most instances the most likely outcome method is used as there are only a few possible outcomes.

#### **OPERATING ASSETS**

##### **PROPERTY, PLANT AND EQUIPMENT (NOTE 5)**

###### **Valuations**

Valuations are performed generally every five years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A valuation was performed on 28 February 2017 by an accredited independent valuer. Properties were valued by either applying the Comparable Sales Method or Income Capitalisation Method. To determine which method would be the most appropriate for each property, cognisance was taken of the following relevant to each property: Each property's general uniqueness, durability, proximity of location, relatively "limited" supply, and the specific utility of a given site.

The Income Capitalisation Method of valuation entails the determination of the Net Annual Income for the property, which is then capitalised at an appropriate market related capitalisation rate. This method of valuation is best suited for income-producing properties.

The Comparable Sales Method approach entails the identification, analysis and application of recent comparable sales involving physically and legally similar units in the general proximity of the property to be valued. This method of valuation is best suited for non-income producing properties. This valuation included a review of title deed information, town planning conditions, property descriptions and

improvements as well as locality. Market conditions and demand, comparable sales and vacant land values were also taken into consideration.

### **Useful lives**

The useful life of an asset is the period over which the Group expects to utilise the benefits embodied in the assets, and not necessarily the asset's economic life. Useful lives of assets are reviewed annually. The Group uses the following indicators to determine useful life:

- Expected usage of assets
- Expected physical wear and tear
- Technical and commercial obsolescence

The estimated useful lives assigned to the categories of Property, Plant and Equipment (owned and instalment sales) are as follows:

Buildings:	50 years
Plant and equipment:	5 – 10 years
Transport and motor vehicles:	3 – 10 years
Furniture, fittings, office and computer equipment:	3 – 8 years

The useful lives for right-of use assets – other are the shorter of the lease term or the useful life of the leased asset. Generally, lease terms are between one and five years.

### **RESIDUAL VALUES**

An estimate is made of the amount the Group would expect to receive currently for the asset, if the asset was already of the age and condition expected at the end of its useful life. These residual values of property, plant and equipment are reviewed annually, by comparing it to the disposal value of comparative assets in the market.

### **IMPAIRMENT OF ASSETS**

#### **PROPERTY, PLANT AND EQUIPMENT (NOTE 5)**

Management assesses changes in interest rates, currency exchange rates as well as the state of affairs in the construction sector, as indicators that impairment testing may need to be performed.

#### **PROVISION FOR EXPECTED CREDIT LOSSES (ECLs) OF CONTRACTS IN PROGRESS AND TRADE AND OTHER RECEIVABLES (NOTE 7, 8)**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 12.

Included within the loss allowance is specific provisions which relates to specific clients who are showing signs of default, such as delayed payments and liquidity pressures.

### **JOINT OPERATIONS AND JOINT VENTURES**

Management assesses whether a joint arrangement must be classified as a joint operation or joint venture. This assessment depends on whether the joint arrangement has rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its investments as joint operations when the operations are performed through unincorporated arrangements such as partnerships and contracts, and the Group has rights to the assets, and obligations for the liabilities. In determining the classification of joint arrangements, management considered the contractual agreements with respect to sharing control and whether parties are jointly and severally liable for the joint arrangement's rights and obligations. Other investments are recognised as joint ventures when the Group only has rights to the net assets of the arrangement.

### **PROVISIONS (NOTE 11)**

Provisions are raised when deemed necessary by management and an estimate of expected outflows is made based on the information available at the time.

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Contract-related provisions

Contract-related provisions represent the estimated amounts relating to incurred obligations to third party suppliers. Management estimates these amounts based on the expected cash outflows required to settle its obligations to suppliers.

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## 2. REVENUE FROM CONTRACTS WITH CUSTOMERS

### 2.1 RECONCILIATION OF CONTRACT REVENUE

	<b>Audited 29 February 2020 R'000</b>	<b>Reviewed 28 February 2019 R'000</b>	<b>Reviewed 28 February 2018 R'000</b>
<b>Contract revenue</b>			
Within South Africa	388 912	416 421	313 709
Outside South Africa	408	2 514	1 465
<b>Total revenue</b>	<b>389 320</b>	<b>418 935</b>	<b>315 174</b>

### 2.2 DISAGGREGATED CONTRACT REVENUE

Revenue from contracts with customers can be further disaggregated as follows:

	<b>Audited 29 February 2020 R'000</b>	<b>Reviewed 28 February 2019 R'000</b>	<b>Reviewed 28 February 2018 R'000</b>
<b>Construction and mining</b>			
<b>31 August 2020</b>			
Within South Africa	388 912	416 421	313 709
Outside South Africa	408	2 514	1 465
	<b>389 320</b>	<b>418 935</b>	<b>315 174</b>
Private	389 320	418 935	315 174
Public	–	–	–
	<b>389 320</b>	<b>418 935</b>	<b>315 174</b>

### 2.3 TRANSACTION PRICE ALLOCATED TO REMAINING PERFORMANCE OBLIGATIONS

	<b>Audited 29 February 2020 R'000</b>	<b>Reviewed 28 February 2019 R'000</b>	<b>Reviewed 28 February 2018 R'000</b>
<b>Construction and mining</b>			
Shorter than 12 months	189 849	213 849	204 500
Longer than 12 months	299 800	264 799	581 729
	<b>489 649</b>	<b>478 648</b>	<b>786 229</b>

The remaining performance obligations are expected to realise as indicated. Performance obligations longer than 12 months mostly related to long-term contracts (that stretch between three to four years).

### 2.4 CONTRACT BALANCES

	<b>Audited 29 February 2020 R'000</b>	<b>Reviewed 28 February 2019 R'000</b>	<b>Reviewed 28 February 2018 R'000</b>
<b>Construction and mining</b>			
Contracts in progress (note 7)	1 040	1 899	1 856
Trade receivables (note 8)	54 251	48 248	66 211

Contracts in progress are recognised for revenue earned from construction related services and is conditional on certification and invoicing of work performed. Upon certification and invoicing the amounts recognised as contracts in progress are reclassified to trade receivables. The balance of expected credit losses provided for on contracts in progress amounted to Feb 2020: R1 thousand (Feb 2019: nil; Feb 2018: nil) (note 7, 12).

Trade receivables are generally on terms of 60 days and interest is charged as per agreements with individual clients. The balance of expected credit losses provided for on trade receivables amounted to Feb 2020: R190 thousand (Feb 2019: R12 thousand) (Feb 2018: R99 thousand) (note 8, 12).

### 3. OTHER INCOME AND EBITDA

#### 3.1 OTHER INCOME

	<b>Audited 29 February 2020 R'000</b>	<b>Reviewed 28 February 2019 R'000</b>	<b>Reviewed 28 February 2018 R'000</b>
Profit on disposal of property, plant and equipment	62	195	491
	<b>62</b>	<b>195</b>	<b>491</b>

#### 3.2 EBITDA

Included in these expenses are:

Auditors remuneration	216	291	129
Employee costs	138 810	128 479	120 447
– Short-term employee benefit costs	127 313	117 921	111 229
– Post-employment benefit costs	11 497	10 558	9 218
Expenses relating to leases	125 957	140 626	–
– Short-term lease (leases less than 12 months)	125 957	140 626	–

### 4. FINANCE COSTS

	<b>Audited 29 February 2020 R'000</b>	<b>Reviewed 28 February 2019 R'000</b>	<b>Reviewed 28 February 2018 R'000</b>
Finance costs from financial instruments held at amortised cost:			
– Bank overdrafts and bonds	4	6	–
– Lease liabilities	358	714	–
– Financing agreements	75	21	17
– Instalment sales	–	–	338
	<b>437</b>	<b>741</b>	<b>355</b>

## 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

	<b>Audited 29 February 2020 R'000</b>	<b>Reviewed 28 February 2019 R'000</b>	<b>Reviewed 28 February 2018 R'000</b>
5.1 Owned assets	8 543	15 042	28 117
5.2 Right-of-use assets	5 744	7 673	–
Instalment sales	5 635	6 754	–
Other	109	919	–
<b>Total</b>	<b>14 287</b>	<b>22 715</b>	<b>28 117</b>

### 5.1 OWNED ASSETS

	<b>Revalued</b>		<b>Cost</b>		<b>Total R'000</b>
	<b>Land and buildings R'000</b>	<b>Transport and motor vehicles R'000</b>	<b>Plant and equipment R'000</b>	<b>Furniture, fittings, office and computer equipment R'000</b>	
<b>29 February 2020</b>					
Cost/valuation	1 700	6 202	34 853	2 111	44 866
Accumulated depreciation	(6)	(6 062)	(28 146)	(2 109)	(36 323)
Carrying value at year-end	1 694	140	6 707	2	8 543
<b>28 February 2019</b>					
Cost/valuation	1 700	5 515	40 669	1 913	49 797
Accumulated depreciation	(4)	(4 961)	(28 190)	(1 600)	(34 755)
Carrying value at year-end	1 696	554	12 479	313	15 042
<b>28 February 2018</b>					
Cost/valuation	1 700	7 107	47 907	1 914	58 628
Accumulated depreciation	(2)	(5 752)	(23 251)	(1 506)	(30 511)
Carrying value at year-end	1 698	1 355	24 656	408	28 117

5.1 **OWNED ASSETS (continued)**

Reconciliation of the carrying value of owned assets:

	Land and buildings R'000	Transport and motor vehicles R'000	Plant and equipment R'000	Furniture, fittings, office and computer equipment R'000	Total R'000
<b>29 February 2020</b>					
Carrying value at the beginning of the year	1 696	554	12 479	313	15 042
Additions	–	–	223	198	421
Disposals	–	–	(1 922)	–	(1 922)
Depreciation	(2)	(489)	(4 073)	(509)	(5 073)
Transfer from right-of-use assets	–	75	–	–	75
Carrying value at year-end	1 694	140	6 707	2	8 543
<b>28 February 2019</b>					
Carrying value at the beginning of the year	1 698	1 355	24 656	408	28 117
Additions	–	–	435	121	556
Depreciation	(2)	(502)	(5 154)	(216)	(5 874)
Net movement between owned and right-of-use assets	–	(299)	(7 458)	–	(7 757)
Carrying value at year-end	1 696	554	12 479	313	15 042
<b>28 February 2018</b>					
Carrying value at the beginning of the year	1 700	1 600	17 326	486	21 112
Additions	–	468	11 633	172	12 273
Disposals	–	–	(334)	–	(334)
Depreciation	(2)	(700)	(3 969)	(250)	(4 921)
Transfer between sub-divisions	–	(13)	–	–	(13)
Carrying value at year-end	1 698	1 355	24 656	408	28 117

Had land and buildings been carried at cost, the carrying value of land and buildings would have been R1,044 million (Feb: 2019: R1,046 million; Feb 2018: R1,048 million). All disposals of assets result from the sale, scrapping and replacement thereof in the normal course of business.



5.2 **RIGHT-OF-USE ASSETS**

	<b>Land and buildings R'000</b>	<b>Transport and motor vehicles R'000</b>	<b>Plant and equipment R'000</b>	<b>Total R'000</b>
<b>29 February 2020</b>				
Cost	–	619	7 753	8 372
Instalment sales	–	–	7 753	7 753
Other	–	619	–	619
Accumulated depreciation	–	(510)	(2 118)	(2 628)
Instalment sales	–	–	(2 118)	(2 118)
Other	–	(510)	–	(510)
Carrying value at year-end	–	109	5 635	5 744
<b>28 February 2019</b>				
Cost	1 920	1 068	7 753	10 741
Instalment sales	–	449	7 753	8 202
Other	1 920	619	–	2 539
Accumulated depreciation	(1 336)	(546)	(1 186)	(3 068)
Instalment sales	–	(262)	(1 186)	(1 448)
Other	(1 336)	(284)	–	(1 620)
Carrying value at year-end	584	522	6 567	7 673

Reconciliation of the carrying value of right-of-use assets:

	<b>Land and buildings R'000</b>	<b>Transport and motor vehicles R'000</b>	<b>Plant and equipment R'000</b>	<b>Total R'000</b>
<b>29 February 2020</b>				
Carrying value at the beginning of the year	584	522	6 567	7 673
Instalment sales	–	187	6 567	6 754
Other	584	335	–	919
Depreciation	(584)	(338)	(932)	(1 854)
Instalment sales	–	(112)	(932)	(1 044)
Other	(584)	(226)	–	(810)
Transfer to owned assets	–	(75)	–	(75)
Carrying value at year-end	–	109	5 635	5 744
<b>28 February 2019</b>				
Take-on balance with adoption of IFRS16	1 920	619	–	2 539
Net movement between amended and right-of-use assets*	–	299	7 458	7 757
Depreciation	(1 336)	(396)	(891)	(2 623)
Instalment sales	–	(112)	(891)	(1 003)
Other	(1 336)	(284)	–	(1 620)
Carrying value at year-end	584	522	6 567	7 673

\*Inclusive of re-classification of assets previously subject to instalment sales.

## 6. INVENTORIES

	<b>Audited 29 February 2020 R'000</b>	<b>Reviewed 28 February 2019 R'000</b>	<b>Reviewed 28 February 2018 R'000</b>
Consumables	541	264	284
Inventories expensed	1 408	499	–

## 7. CONTRACTS IN PROGRESS

Contract in progress relate to the Group's rights to consideration for work completed but not invoiced at the reporting date for construction services rendered.

	<b>Audited 29 February 2020 R'000</b>	<b>Reviewed 28 February 2019 R'000</b>	<b>Reviewed 28 February 2018 R'000</b>
Carrying value at beginning of the year	1 899	1 856	1 155
Revenue recognised from performance obligations satisfied in previous periods	(1 899)	(1 856)	(1 155)
Contracts in progress recognised	1 041	1 899	1 856
Expected credit loss	(1)	–	–
Carrying value at year-end	<b>1 040</b>	<b>1 899</b>	<b>1 856</b>
Current	1 040	1 899	1 856

### SIMPLIFIED APPROACH – EXPECTED CREDIT LOSS (NOTE 12)

Changes due to credit risk movement	1	–	–
Collective	1	–	–

## 8. TRADE AND OTHER RECEIVABLES

	<b>Audited 29 February 2020</b>			<b>Reviewed 28 February 2019</b>		
	<b>Gross R'000</b>	<b>ECL R'000</b>	<b>Net R'000</b>	<b>Gross R'000</b>	<b>ECL R'000</b>	<b>Net R'000</b>
Contract receivables	54 441	(190)	54 251	48 260	(12)	48 248
Retention debtors	596	(1)	595	–	–	–
Other receivables	146	–	146	173	–	173
Amounts due by joint operations	5 597	(156)	5 441	–	–	–
Prepayment *	4 113	–	4 113	466	–	466
	<b>64 893</b>	<b>(347)</b>	<b>64 546</b>	<b>48 899</b>	<b>(12)</b>	<b>48 887</b>

	<b>Reviewed 28 February 2018</b>		
	<b>Gross R'000</b>	<b>ECL R'000</b>	<b>Net R'000</b>
Contract receivables	66 310	(99)	66 211
Other receivables	647	–	647
Prepayment*	232	–	232
	<b>67 189</b>	<b>(99)</b>	<b>67 090</b>

\* Non-financial assets

Further information about the credit exposure of trade receivables are disclosed in note 12.

Below table is a reconciliation of the expected credit losses.

	<b>29 February 2020 R'000</b>	<b>28 February 2019 R'000</b>	<b>28 February 2018 R'000</b>
Simplified approach			
Opening balance	12	99	13
Changes due to credit risk movement	335	(87)	86
Carrying value at year-end	<b>347</b>	<b>12</b>	<b>99</b>
Individual expected credit loss	51	–	–
Collective expected credit loss	296	12	99

## 9. FINANCIAL LIABILITIES

### 9.1 NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	<b>Audited 29 February 2020</b>		<b>Reviewed 28 February 2019</b>	
	<b>Non-current R'000</b>	<b>Current R'000</b>	<b>Non-current R'000</b>	<b>Current R'000</b>
Unsecured borrowings	–	44	–	43
Lease liabilities (note 9.2)	–	2 059	2 059	3 716
Other financial liabilities	–	<b>2 103</b>	<b>2 059</b>	<b>3 759</b>

  

	<b>Reviewed 28 February 2018</b>	
	<b>Non-current R'000</b>	<b>Current R'000</b>
Instalment sales	4 812	2 646
Other financial liabilities	<b>4 812</b>	<b>2 646</b>

Refer to note 12 for further information regarding terms and conditions.

## 9.2 LEASE LIABILITIES

Lease liabilities can be categorised as follows:

	Audited 29 February 2020		Reviewed 28 February 2019		Reviewed 28 February 2018	
	Non-current R'000	Current R'000	Non-current R'000	Current R'000	Non-current R'000	Current R'000
Instalment sales agreements	–	1 939	1 941	2 872	4 812	2 646
Other	–	120	118	844	–	–
	<b>–</b>	<b>2 059</b>	<b>2 059</b>	<b>3 716</b>	<b>4 812</b>	<b>2 646</b>

	Undiscounted cash flows		
	29 February 2020 R'000	28 February 2019 R'000	28 February 2018 R'000
<b>LESS THAN ONE YEAR</b>	2 126	4 077	3 221
Instalment sales	2 003	3 194	3 221
Other	123	883	–
<b>BETWEEN TWO AND FIVE YEARS</b>	–	2 128	5 638
Instalment sales	–	2 005	5 638
Other	–	123	–

## 10. TRADE AND OTHER PAYABLES

	Audited 29 February 2020 R'000	Reviewed 28 February 2019 R'000	Reviewed 28 February 2018 R'000
Trade payables	35 246	26 976	22 628
Amounts due to joint operations	–	690	–
Accrued expenses *	16 059	12 741	16 281
Value added tax and withholding taxes*	1 997	1 866	2 221
	<b>53 302</b>	<b>42 273</b>	<b>41 130</b>

\* Non-financial liabilities

## 11. PROVISIONS

	Balance at the beginning of the year R'000	Additional provisions raised R'000	Utilised/ reversed during the year R'000	Balance at the end of the year R'000
<b>CONTRACT RELATED PROVISIONS</b>				
29 February 2020	5 748	9 445	(5 748)	9 445
28 February 2019	–	5 748	–	5 748
28 February 2018	–	–	–	–

Contract related provisions represents the estimated amounts relating to incurred obligations to third party suppliers.

## 12. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE

### FAIR VALUE – ASSETS

#### MEASUREMENT OF FAIR VALUE

The fair value measurement for land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The valuation was based on direct comparable sales as the property owned is residential in nature.

#### FINANCIAL INSTRUMENTS

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these liabilities is to finance the Group's operations. The principal financial assets include trade and other receivables that are derived directly from the Group's operations.

#### ACCOUNTING CLASSIFICATIONS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts of financial assets and financial liabilities.

The carrying amounts of trade and other receivables, and trade and other payables approximate their fair values due to the short-term maturity of these assets and liabilities. There is no significant difference between the carrying amounts of other financial assets and liabilities and their fair values due to the effective interest method used.

	<b>Audited 29 February 2020 R'000</b>	<b>Reviewed 28 February 2019 R'000</b>	<b>Reviewed 28 February 2018 R'000</b>
<b>FINANCIAL ASSETS, LOANS AND RECEIVABLES AT AMORTISED COST</b>			
Contracts in progress (note 7)	1 040	1 899	1 856
Trade and other receivables (note 8)	60 433	48 421	66 858
<b>FINANCIAL LIABILITIES AT AMORTISED COST</b>			
Financial liabilities (note 9)	2 103	5 818	7 458
Trade and other payables (note 10)	35 246	27 666	22 628

#### RISK MANAGEMENT FRAMEWORK

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The sub-divisions have exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### CREDIT RISK

Credit risk is the risk of financial loss to the sub-divisions if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the sub-division's receivables from customers.

The gross amounts of financial assets represent the maximum credit exposure and are as follows:

	<b>Audited 29 February 2020 R'000</b>	<b>Reviewed 28 February 2019 R'000</b>	<b>Reviewed 28 February 2018 R'000</b>
Contracts in progress (note 7)	1 041	1 899	1 856
Contract receivables (note 8)	54 441	48 260	66 310
Retention debtors (note 8)	596	–	–
Amounts due by joint operations (note 8)	5 597	–	–
Other receivables (note 8)	146	173	647
<b>Total</b>	<b>61 821</b>	<b>50 332</b>	<b>68 813</b>

The sub-division's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Management also considers the factors that may influence credit risk including the default risk of the industry and country in which customers operate. The credit granting policy is set on a group basis and managed at operating entity level. Each business unit in the Group is responsible for the management of credit risk in receivables and does so through ongoing credit evaluations and credit control policies and procedures.

These receivables comprise a customer base, primarily in South Africa. The majority of the customers are concentrated in the private development sectors. Due to the diverse nature of the operations, management does not believe that the Group is significantly exposed to a high concentration of credit risk. Any change in the credit quality of receivables is considered from the date credit was granted up to the reporting date. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, considering its financial position, past experience and other factors.

#### **Expected credit loss model**

The Group applied the simplified approach to determine the expected credit loss (ECL) for its receivables, by calculating the lifetime ECLs for these receivables. An impairment analysis is performed at each reporting date using a provision rate matrix. The provision rates are calculated based on defined credit risk grades and reflect a probability of default based on past events, current conditions and a forecast of future economic conditions. Forecast of future economic conditions incorporates the use of reliable default rate statistics from reputable credit risk rating agencies, which take into account forecast macro-economic data, including financial and growth conditions of specific industry sectors. The provision rates are revised each year where there are changes in customer profiles and behaviours, new information and changes in forecasted economic conditions. The risk categories from the prior year have been enhanced for better understanding and disclosure purposes. Additional disclosures have also been included for the same purposes. Customers were classified into specific risk grades based on the following main criteria:

- Within South Africa or outside South Africa
- Private or public sector
- Days past due of outstanding debt
- Industry sector within which the customer operates
- Other factors specific to each customer where applicable

The provision rates applied ranged from 0,08% for the lowest risk category to 34,93% for the highest risk category (2019: 0,97% –2018: 1,00%). In general, rates applied were higher than prior year due to the continued adverse market conditions. The provision rate matrix was applied to all receivables as they are mainly from similar customers with similar risk profiles. Additional factors specific to each category of financial assets were also considered and rates were adjusted accordingly.

#### **Trade receivables**

Trade receivables represent invoiced amounts due from contract customers. The average credit period for trade receivables is 60 days. Interest is charged as per agreements reached with individual clients per signed contracts. The Group has the right to waive interest as it deems necessary. Before accepting a new client, the Group runs thorough credit and background checks in order to determine the potential customer's creditworthiness. All contracts and clients' creditworthiness are assessed on an individual basis.

The summarised risk categories and calculated ECL for trade receivables are as follows:

	Current to 30 days R'000	60 to 90 days R'000	120 to 150 days R'000	180 days R'000	Over 180 days to less than one year R'000	Over one year R'000	Total R'000
<b>29 February 2020</b>							
<b>WITHIN SOUTH AFRICA</b>							
Private	50 547	2 680	1 068	146	–	–	54 441
<b>GROSS TOTAL</b>							
Average expected credit loss rate (%)	0.08	2.69	2.72	34.93	–	–	0.35
Expected credit loss	38	72	29	51	–	–	190
Collective	38	72	29	–	–	–	139
Individual	–	–	–	51	–	–	51
<b>CARRYING AMOUNT</b>	<b>50 509</b>	<b>2 608</b>	<b>1 039</b>	<b>95</b>	<b>–</b>	<b>–</b>	<b>54 251</b>
<b>28 February 2019</b>							
<b>WITHIN SOUTH AFRICA</b>							
Private	46 946	1 237	–	–	77	–	48 260
<b>GROSS TOTAL</b>							
Average expected credit loss rate (%)	–	0.97	–	–	–	–	0.02
Expected credit loss	–	12	–	–	–	–	12
Collective	–	12	–	–	–	–	12
Individual	–	–	–	–	–	–	–
<b>CARRYING AMOUNT</b>	<b>46 946</b>	<b>1 225</b>	<b>–</b>	<b>–</b>	<b>77</b>	<b>–</b>	<b>48 248</b>
<b>28 February 2018</b>							
<b>WITHIN SOUTH AFRICA</b>							
Private	56 368	9 942	–	–	–	–	66 310
<b>GROSS TOTAL</b>							
Average expected credit loss rate (%)	–	1.00	–	–	–	–	0.15
Expected credit loss	–	99	–	–	–	–	99
Collective	–	99	–	–	–	–	99
Individual	–	–	–	–	–	–	–
<b>CARRYING AMOUNT</b>	<b>56 368</b>	<b>9 843</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>66 211</b>

In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors	Forward-looking factors
<ul style="list-style-type: none"> <li>• Payment history of the customer</li> <li>• Consideration of reasons for delay in payments – whether they are indicative of liquidity/solvency issues</li> <li>• Contractual recourse for non-payment of debtors</li> <li>• Collateral/credit insurance available in case of default</li> </ul>	<ul style="list-style-type: none"> <li>• Financial state of client and any indication of financial distress based on most recent information available and management discussions</li> <li>• Commitments made for payment and whether they are realistic based on history, client relationship and progress of contract</li> <li>• Political climate</li> <li>• Potential roll-out of future projects</li> </ul>

## CONTRACTS IN PROGRESS

Contracts in progress have been disaggregated into two main categories to assess credit risk: Work in progress and Materials on site.

Work in progress includes timing differences between measured work performed but not yet certified and invoiced, pending sign-off from clients' quantity surveyors. Revenue is recognised based on measured work performed. Any work measured but not yet certified is treated as work in progress, until such time as it is certified and invoiced. Once invoiced, the balance is reclassified to trade receivables.

Materials on site includes costs incurred to complete the contract, but contractually cannot be billed at period end as it has not been used in measured work performed.

The summarised risk categories and calculated ECL for contracts in progress are as follows:

	Work in progress		Materials on site		Total R'000
	Public R'000	Private R'000	Public R'000	Private R'000	
<b>29 February 2020</b>					
<b>WITHIN SOUTH AFRICA</b>	–	1 041	–	–	1 041
<b>GROSS TOTAL</b>	–	1 041	–	–	1 041
Average expected credit loss rate (%)	–	0.10	–	–	0.10
Expected credit loss	–	1	–	–	1
<b>CARRYING AMOUNT</b>	–	1 040	–	–	1 040
<b>28 February 2019</b>					
<b>WITHIN SOUTH AFRICA</b>	–	1 899	–	–	1 899
<b>GROSS TOTAL</b>	–	1 899	–	–	1 899
Average expected credit loss rate (%)	–	–	–	–	–
Expected credit loss	–	–	–	–	–
<b>CARRYING AMOUNT</b>	–	1 899	–	–	1 899
<b>28 February 2018</b>					
<b>WITHIN SOUTH AFRICA</b>	–	1 856	–	–	1 856
<b>GROSS TOTAL</b>	–	1 856	–	–	1 856
Average expected credit loss rate (%)	–	–	–	–	–
Expected credit loss	–	–	–	–	–
<b>CARRYING AMOUNT</b>	–	1 856	–	–	1 856



For February 2019 and February 2018, the probability and risk of default was assessed as low and subsequently, no ECL allowance was recognised. In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors	Forward-looking factors
<ul style="list-style-type: none"> <li>Contractual provisions for alternative recovery in case of disputes regarding work performed</li> <li>Majority of the contracts in progress balances are current and relate to work which will be certified within the next 12 months</li> <li>History of probability of work not being certified/ disputes arising regarding work performed based on prior experience with clients</li> </ul>	<ul style="list-style-type: none"> <li>Financial state of client and any indication of financial distress based on most recent information available</li> <li>Discussions between the Group and the clients regarding recoverability of amounts outstanding and any probabilities of default</li> <li>The value of work certified after year-end in relation to the closing balances at period end</li> </ul>

### RETENTION DEBTORS

Retention debtors relate to amounts invoiced but not paid until the conditions specified in the contract are fulfilled or until defects have been rectified. The retention debtors are only due and payable once a contract is completed and all obligations are met. The summarised risk categories and calculated ECL for retention debtors are as follows:

	29 February 2020			28 February 2019		
	Public R'000	Private R'000	Total R'000	Public R'000	Private R'000	Total R'000
<b>WITHIN SOUTH AFRICA</b>	–	596	596	–	–	–
<b>GROSS TOTAL</b>	–	596	596	–	–	–
Average expected credit loss rate (%)	–	0.17	0.17	–	–	–
Expected credit loss	–	1	1	–	–	–
<b>CARRYING AMOUNT</b>	–	595	595	–	–	–

  

	28 February 2018		
	Public R'000	Private R'000	Total R'000
<b>WITHIN SOUTH AFRICA</b>	–	–	–
<b>GROSS TOTAL</b>	–	–	–
Average expected credit loss rate (%)	–	–	–
Expected credit loss	–	–	–
<b>CARRYING AMOUNT</b>	–	–	–

For February 2019 and February 2018, the probability and risk of default was assessed as low and subsequently, no ECL allowance was recognised. In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors	Forward-looking factors
<ul style="list-style-type: none"> <li>Payment history of client in relation to previous invoices raised</li> <li>Contractual provisions for alternative recovery in case of non-payment</li> <li>Ageing of retention debtors (majority of retention debtors are current and only due in future periods)</li> </ul>	<ul style="list-style-type: none"> <li>Financial state of client and any indication of financial distress based on most recent information available</li> <li>Discussions between the Group and the client regarding recoverability of amounts outstanding and any probabilities of default</li> <li>Progress of contract and probability of disputes regarding valued work and other contractual conditions at end of contract</li> </ul>



For February 2019 and February 2018, the probability and risk of default was assessed as low and subsequently, no ECL allowance was recognised.

In determining the expected credit loss, the following historical and forward-looking factors were considered:

<b>Historical factors</b>	<b>Forward-looking factors</b>
<ul style="list-style-type: none"> <li>• Past experience – these are normally settled in the normal course of business</li> <li>• Joint operations are still trading, and, in most instances, we are the lead partner and administer and manage the cash therefore ensuring payment</li> </ul>	<ul style="list-style-type: none"> <li>• Cash flow projections prepared on a regular basis</li> <li>• Ability of joint operation partners to fund cash flow requirements</li> <li>• Joint operation relationships are governed by joint operation agreements and will exist until end of contract/project</li> <li>• Future profitability of the project taking into consideration timing of profit distributions in terms of the joint operation agreement</li> </ul>

### **OTHER RECEIVABLES**

Other receivables consist mostly of deposits (mainly house rental deposits), interest accrued, sundry debtors and short-term loans repayable within one year. No ECL was calculated on interest accrued as these monies have already been credited to our bank account.

The summarised risk categories and calculated ECL for other receivables are as follows:

	<b>29 February 2020 R'000</b>	<b>28 February 2019 R'000</b>	<b>28 February 2018 R'000</b>
<b>WITHIN SOUTH AFRICA</b>	146	173	647
<b>GROSS TOTAL</b>	146	173	647
Average expected credit loss rate (%)	0.06	–	–
Expected credit loss	–	–	–
<b>CARRYING AMOUNT</b>	<b>146</b>	<b>173</b>	<b>647</b>

For February 2019 and February 2018, the probability and risk of default was assessed as low and subsequently, no ECL allowance was recognised. In determining the expected credit loss, the following historical and forward-looking factors were considered:

<b>Historical factors</b>	<b>Forward-looking factors</b>
<p><b>Deposits</b></p> <ul style="list-style-type: none"> <li>• History of default by agents on repayment of deposits</li> <li>• Materiality of deposit amounts that could affect ability of agent to re-pay</li> </ul> <p><b>Sundry debtors</b></p> <ul style="list-style-type: none"> <li>• Materiality of amounts due from the various sundry debtors</li> <li>• Nature of the debtor (whether low credit-risk entities, e.g. banks, trusts)</li> </ul>	<p><b>Deposits</b></p> <ul style="list-style-type: none"> <li>• Whether deposits can be transferred to other properties under the same rental agent</li> </ul> <p><b>Sundry debtors</b></p> <ul style="list-style-type: none"> <li>• Financial state of the debtor and any indication of financial distress based on most recent information available</li> </ul>

## EXPOSURE TO LIQUIDITY RISK

The following are the remaining contractual maturities of financial instruments at the reporting date. The amounts are presented gross and undiscounted and include contractual interest payments.

	Carrying amount R'000	Total R'000	On demand R'000	Less than one year R'000	Between two and five years R'000	More than five years R'000
<b>29 February 2020</b>						
<b>FINANCIAL ASSETS</b>						
Trade and other receivables	60 433	60 433	–	60 433	–	–
<b>FINANCIAL LIABILITIES</b>						
Other financial liabilities	2 103	2 169	–	2 169	–	–
Trade and other payables	35 247	35 247	–	35 247	–	–
	<b>37 350</b>	<b>37 416</b>	<b>–</b>	<b>37 416</b>	<b>–</b>	<b>–</b>
<b>28 February 2019</b>						
<b>FINANCIAL ASSETS</b>						
Trade and other receivables	48 421	48 421	–	48 421	–	–
<b>FINANCIAL LIABILITIES</b>						
Other financial liabilities	4 856	5 243	–	3 238	2 005	–
Trade and other payables	27 666	27 666	–	27 666	–	–
	<b>32 522</b>	<b>32 909</b>	<b>–</b>	<b>30 904</b>	<b>2 005</b>	<b>–</b>
<b>28 February 2018</b>						
<b>FINANCIAL ASSETS</b>						
Trade and other receivables	66 858	66 858	–	66 858	–	–
<b>FINANCIAL LIABILITIES</b>						
Other financial liabilities	7 530	8 929	–	3 291	5 638	–
Trade and other payables	22 628	22 628	–	22 628	–	–
	<b>30 158</b>	<b>31 557</b>	<b>–</b>	<b>25 919</b>	<b>5 638</b>	<b>–</b>

## INTEREST RATE RISK

The Group is exposed to interest rate risk through its cash and cash equivalents and interest-bearing, short- and long-term liabilities. Short-term interest rate exposure is monitored and managed by each business unit in the Group. The majority of borrowings are obtained at variable rates exposing the Group to cash flow interest rate risk.

The terms and conditions of outstanding interest-bearing loans are as follows:

	Currency	Nominal interest rate			Year of maturity	Carrying value		
		2020 %	2019 %	2018 %		2020 R'000	2019 R'000	2018 R'000
Unsecured borrowings	ZAR	4	4	4	2021	44	43	–
Lease liabilities (instalment sales agreements)	ZAR	Prime less 1 %	Prime less 1 %	Prime less 1 %	2021	1 939	4 813	7 458
Lease liabilities (other)	ZAR	9.5	9.5	9.5	2022	120	962	–
						<b>2 103</b>	<b>5 818</b>	<b>7 458</b>

## SENSITIVITY ANALYSIS

A change of 100 basis points in interest rates would have increased or decreased profit or loss by R9 thousand before tax. (Feb 2019: R68 thousand; Feb 2018: R21 thousand)

**BASIS OF PREPARATION**

These Special Purpose Carve-Out Historical Financial Information has been prepared using a combination of the historical cost and fair value basis of accounting.

**PREPARED IN ACCORDANCE WITH**

International Financial Reporting Standards (IFRS), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.	JSE Listings Requirements	Companies Act, No.71 of 2008	Going-concern principles
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**FUNCTIONAL AND PRESENTATION CURRENCY**

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South African Rand

**ROUNDING POLICY**

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R'000 (thousands)

## ACCOUNTING POLICIES

### 1. CONSTRUCTION CONTRACTS

#### CONTRACT REVENUE FROM CONTRACTS WITH CUSTOMERS

			<b>RECOGNITION</b>	<b>MEASUREMENT</b>
<b>Contract revenue</b>	Within South Africa Outside South Africa	South Africa Rest of Africa	Stage of completion based on surveys of measured work performed  When surveys of work performed cannot be determined reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable	Based on: <ul style="list-style-type: none"> <li>• Fair value consideration received or receivable</li> <li>• Including variations and claims</li> <li>• Excluding Value added tax</li> </ul>

All transactions are concluded at arm's length; therefore the transaction price is considered to reflect the fair value.

	<b>REVENUE TYPE</b>	<b>INCLUDES</b>	<b>RECOGNITION</b>	<b>TRANSFER OF CONTROL</b>	<b>MEASUREMENT</b>	<b>DURATION OF CONTRACT</b>
Construction and Mining	Mining services	<ul style="list-style-type: none"> <li>• Bulk materials handling</li> <li>• Design, construction, operations and maintenance of tailing storage facilities</li> <li>• Hydraulic mining</li> <li>• Open pit contract mining</li> </ul>	Stage of completion based on surveys of work performed – Measured work performed	Over time	Fair value	<ul style="list-style-type: none"> <li>• Longer than 12 months</li> </ul>

<b>COSTS</b>	<b>VARIABLE CONSIDERATION</b>	<b>SIGNIFICANT FINANCING COMPONENT</b>	<b>SIGNIFICANT FINANCING COMPONENT</b>
<p><b>COSTS INCURRED</b></p> <p>All costs incurred to obtain a contract are expensed immediately and recognised in profit or loss as it is not recoverable.</p> <p><b>COSTS TO FULFIL</b></p> <p>When management estimates, based on the cost of work performed to date in relation to the total work to be performed, that the total costs to be incurred to complete a contract will be in excess of the estimated total revenue from the contract, the full expected loss to be incurred is recognised immediately or any penalties arising from failure to fulfil it, whichever is the least net cost.</p>	<p>The Group estimates the amount of variable consideration, to which it would be entitled to. Variable consideration is constrained to the extent that it is highly probable that a reversal of revenue will not occur.</p> <p>Certain contracts include penalty provisions, claims and a change of scope of work to be performed which constitutes variable consideration. Variable consideration is measured either at the most likely outcome method or expected value method and is considered at each reporting date. The most appropriate method is selected for each contract and applied consistently throughout the contract term. In most instances the most likely outcome method is used as there are only a few possible outcomes.</p>	<p>Shorter than 12 months</p> <p>Advances received on contracts with customers are generally shorter than 12 months, and therefore the Group does not adjust the consideration for the effects of a significant financing component.</p>	<p>Larger than 12 months</p> <p>In instances where advances received are utilised in a period longer than 12 months, the Group adjusts the consideration for the effects of a significant financing component by using an applicable interest rate. Contract revenue is adjusted with this financing component and accounted for as finance costs paid.</p>

#### **WARRANTIES AND RELATED OBLIGATIONS**

<b>PERFORMANCE GUARANTEES</b>	<b>ADVANCE PAYMENT GUARANTEES</b>	<b>SUBCONTRACTOR RETENTIONS</b>	<b>DEFECTS LIABILITIES</b>	<b>TENDER GUARANTEES</b>
Performance guarantees are issued to a client to guarantee the quality and performance of the construction services rendered in the event that there is default in terms of the contract.	Advance payment guarantees are issued <i>in lieu</i> of an advance received and reduces over the period of the contract as the advance payment is utilised.	Specific amounts are withheld on each payment made to subcontractors, and either repaid when the defects liability period comes to an end or when payment is received from the client.	Defects liabilities provide for warranties relating to defects arising subsequent to the completion of the contract.	Tender guarantees are issued as guarantee that should the project tendered for be awarded, the Group would be in the position to execute the contract.
Performance guarantees are dependent on the nature, terms and timing of each specific contract.	Advance payment guarantees are dependent on the nature, terms and timing of each specific contract.	Retentions are dependent on the nature, terms and timing of each specific contract.	Defects liabilities are dependent on the nature, terms and timing of each specific contract.	Tender guarantees are dependent on the nature, terms and timing of each specific contract tendered on.

## CONTRACT ASSETS AND LIABILITIES

CONTRACT ASSETS	MEASUREMENT
Contracts in progress	Cost plus profit recognised to date less cash received or receivable less any provision for losses.
	Impairment: Refer to accounting policy 4: Financial Instruments

CONTRACT LIABILITIES	MEASUREMENT
Excess billings over work done	The amount by which progress billings exceed costs incurred plus recognised profit less recognised losses.
Provisions	<p>Estimates are made of the expected cash outflows relating to contracts.</p> <p><b>Onerous contracts</b></p> <p>In the instance where the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.</p> <p>An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.</p>

## EBITDA

EBITDA comprises earnings before interest, share of profits of equity-accounted investees, taxation, depreciation, amortisation and impairment.

## 2. EMPLOYEE BENEFITS

Three types of employee benefits are identified which are accounted for in accordance with IAS 19.

SHORT-TERM BENEFITS	
Includes	Basic salary, paid vacation leave, sick leave, bonuses, medical aid, death and disability cover.
Accounting treatment	<p>The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.</p> <p>The expected cost of accrued leave is recognised as the employees render services that increase their entitlement or, in the case of non-accumulating leave, when the absence occurs. Accrued leave is measured as the amount that the company expects to pay as a result of unused entitlement that has accumulated to the employees at the reporting date.</p>
POST-EMPLOYMENT BENEFITS	
Defined contribution plan	<p>The Group contributes to a defined contribution plan. The Group requires monthly-paid employees to partake in a Group retirement fund and hourly-paid employees in the relevant industry funds. The Group contributes a monthly contribution to these funds and does not bear any further responsibility thereafter. These funds are managed by various portfolio managers and are governed by the Pension Funds Act, No. 24 of 1956.</p>
Accounting treatment	The payments are charged as expenses when the related services are provided.



### 3. OPERATING ASSETS

#### PROPERTY, PLANT AND EQUIPMENT

##### OWNED ASSETS

CATEGORIES	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT	DEPRECIATION METHOD AND PERIOD	IMPAIRMENT
Land and buildings	Initially recognised at cost, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located.	Carried at the revalued amount (fair value less depreciation and accumulated impairment losses).	Land is not depreciated, all other assets are depreciated on a straight-line basis over their useful life.	Assets are tested for impairment, when there is an indication that it may be impaired, by determining the recoverable amount of the assets either individually or at the cash-generating unit level.
Plant and equipment Transport and motor vehicles Furniture, fittings, office and computer equipment		Cost less accumulated depreciation and accumulated impairment losses.		

The revaluation of Land and Buildings are recognised in other comprehensive income and against a revaluation reserve in the statement of changes in equity. The revaluation reserve is recycled to retained earnings upon disposal (but not annual usage) of the Land and Buildings to which the revaluation reserve pertains.

##### RIGHT-OF-USE ASSETS

CATEGORIES	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT	DEPRECIATION METHOD AND PERIOD
Land and buildings Plant and equipment Transport and motor vehicles Furniture, fittings, office and computer equipment	Right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.	Cost less accumulated depreciation and accumulated impairment losses.	Right-of-use assets from instalment sales are depreciated over their expected useful lives on the same basis as owned assets.  Right-of-use assets from capitalised operating leases are depreciated over the useful life of the asset or term of lease, whichever is shorter.

## INVENTORIES

### INITIAL MEASUREMENT AND RECOGNITION

Inventories include consumables (such as fuel, tyres, spares and stationery) and operational inventory. Operational inventory is inventory that will be used in the normal operating cycle. Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises the cost to purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### LEASE LIABILITIES

INITIAL MEASUREMENT AND RECOGNITION	SUBSEQUENT MEASUREMENT
Lease liabilities are initially measured at the present value of the lease payments that are due at the commencement date, discounted using the Group's incremental borrowing rate.	<p>At amortised cost. It is remeasured when there is a change in future lease payments arising from a change in term or if the Group changes its assessment on whether it will exercise a purchase, extension or termination option at the end of the contract.</p> <p>When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.</p>

### SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

#### INITIAL MEASUREMENT AND RECOGNITION

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Low-value assets are defined as assets with a new cost of R250 000 and less. Lease payments associated are recognised in profit or loss on a straight-line basis over the term of the relevant lease.

## 4. FINANCIAL INSTRUMENTS

Financial assets, financial liabilities and equity instruments are recognised in the Group's Statement of Financial Position when the Group becomes a party to the controlled provisions of the instrument.

### FINANCIAL ASSETS

CLASSIFICATION	INSTRUMENTS INCLUDED IN THE CLASSIFICATION	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT
Amortised cost	Contract assets, trade and other receivables (excluding Value Added Tax and Prepayments) and cash and cash equivalents.	Fair value plus direct transaction costs.	Amortised costs using the effective interest rate method, less expected credit loss.

<b>IMPAIRMENT</b>	
Expected credit loss model	<p data-bbox="485 210 1238 237"><b>TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS</b></p> <p data-bbox="485 255 1406 315">The Group uses an allowance account to recognise credit losses on contract assets and trade and other receivables.</p> <p data-bbox="485 333 1098 360">The Group applies its impairment model as follows:</p> <p data-bbox="485 380 1254 441"><b>EXPECTED CREDIT LOSS MODEL (ECL) – TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS</b></p> <p data-bbox="485 461 1409 584">The Group applies the simplified approach of recognising lifetime ECLs over the lifetime of the trade receivables. The Group applies a matrix in measuring the expected credit loss, based on general economic conditions and an assessment of both current and future conditions.</p> <p data-bbox="485 604 1422 853">Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the entity, failure to make contractual payments for a period of greater than 120 days past due and when external information such as probable insolvency or significant difficulties indicates that it is unlikely to receive the outstanding contractual amounts in full. Any amount written off is only performed after considering any collateral held.</p> <p data-bbox="485 873 1417 996">Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss in operating expenses.</p> <p data-bbox="485 1016 1409 1077">Impairment allowances are deducted from the carrying amounts of trade and other receivables.</p>

#### **FINANCIAL LIABILITIES**

<b>CLASSIFICATION</b>	<b>INSTRUMENTS INCLUDED IN THE CLASSIFICATION</b>	<b>INITIAL MEASUREMENT</b>	<b>SUBSEQUENT MEASUREMENT</b>
Amortised cost	Other liabilities, trade and other payables, including retention creditors and subcontractors, excess billings over work done and bank overdrafts.	Fair value plus direct transaction costs.	Amortised costs using the effective interest method.

**MATERIAL LOANS**

<b>Description</b>	<b>Reason for the loan and Lender</b>	<b>Effective date and amount outstanding (as at 31 August 2020)</b>	<b>Secured/ unsecured and security provided</b>	<b>Amount, repayment/ renewal terms and conditions</b>	<b>Interest rate</b>	<b>Borrowing period</b>
Nutella Project	Capital funding Lender: The Lender Group	Effective date: Nov 2019 Amount outstanding: R1 176 083 774	Secured as follows: Continuous Covering Mortgage-Capital Value – R60 million Additional value – R12 million Special Notarial Bond-Capital Value-R1 billion Additional Value – R200 million General Notarial Bond for the following companies: Stefanutti Stocks Holdings Limited, K201116847 (South Africa) Proprietary Limited, Stefanutti Stocks International Holdings Proprietary Limited and Stefanutti Stocks Proprietary Limited amounting to Capital value of R1 billion each and Additional value of R200 million each	Original loan amount: R1 160 580 548 (amount fully drawn as at Jul 2020 from Nov 2019)  Repayable in monthly instalments, starting Jul 2020, ending Jul 2025.	7.9%	Nov 2019 – Jul 2025

<b>Description</b>	<b>Reason for the loan and Lender</b>	<b>Effective date and amount outstanding (as at 31 August 2020)</b>	<b>Secured/ unsecured and Security provided</b>	<b>Amount, repayment/ renewal terms and conditions</b>	<b>Interest rate</b>	<b>Borrowing period</b>
Keaton Mining	Capital funding Lender: Nedbank	Effective date: Jul 2019 Amount outstanding: R131 703 600	Secured by mortgage bonds of R224 million	Original loan amount: R131 703 600 (amount fully drawn as at Jul 2020 from Jul 2019) Repayable in monthly instalments, starting Jul 2020, ending Nov 2022.	7.3%	Jul 2019 – Nov 2022
Tirisano Voluntary Rebuild Programme	Voluntary rebuild programme Stefanutti Stocks has voluntarily committed to make annual contributions to the South African Government's Tirisano Construction Fund.	Effective date: Jun 2016 Amount outstanding: R106 760 660	Unsecured	Original loan amount: R180 000 000 Repayable in annual instalments of R15 million over 12 years, starting in Jun 2016, ending Jun 2027.	7.5%	Jun 2016 – Jun 2027
Nedbank bonds X2	Mortgage loans Lender: Nedbank	Effective date: Jul/Mar 2012 Amount outstanding: R13 568 806	Secured by property with NBV R131 974 352	Original loan amount: R89 868 005 Repayable in monthly instalments, starting Mar/Jul 2012, ending Jun/Oct 2022.	5.75% – 6%	Mar/Jul 2012 – Jun/ Oct 2022

<b>Description</b>	<b>Reason for the loan and Lender</b>	<b>Effective date and Amount outstanding (as at 31 August 2020)</b>	<b>Secured/ unsecured and Security provided</b>	<b>Amount, repayment/ renewal terms and conditions</b>	<b>Interest rate</b>	<b>Borrowing Period</b>
Socgen loan	Funding for Chiango in-house development Lender: Banco Soci�t� G�n�rale Mo�ambique	Effective date: Oct 2018 Amount outstanding: R6 762 608	Secured by bank guarantee of R7 040 795	Original loan: R46 475 737 (USD 3 200 000) Repayable in quarterly instalments starting Mar 2019, ending Sep 2020.	4%	Oct 2018 – Sep 2020
EIS Properties bond	Mortgage loans Lender: First National Bank	Effective date: Jul 2019 Amount outstanding: R1 734 310	Secured by property with NBV R6 075 928	Original loan: R1 849 489 Repayable in monthly instalments starting Jul 2019, ending Jan 2035	9%	Jul 2019 – Jan 2035
Instalment sale agreements	Purchase of various Plant and Equipment Lenders: Standard Bank, Nedbank, Wesbank, Absa	Effective dates of between 2015 – 2019 Amount outstanding: R136 246 451	Secured by underlying plant and equipment	Original cost amounts: R564 million Payable monthly over periods of between 3 – 5 years, starting 2015, ending 2023	6% – 10%	2015 – 2023
Right-of-use liabilities	Rental of buildings (accommodation purposes), vehicles and various plant and equipment for construction sites Lenders: various suppliers	Effective dates of between 2016 – 2020 Amount outstanding: R7 420 950	Secured by underlying buildings, vehicles, plant and equipment	Original cost amounts: R403 million Payable monthly over periods of 1 – 4 years, starting 2016, ending 2024	9.5% – 23.25%	2016 – 2024

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**MATERIAL CONTRACTS**


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Details of material contracts entered into by Stefanutti Stocks and its subsidiaries during the two years preceding the date of this Circular, other than in the ordinary course of business, are set out below:

<b>Contract</b>	<b>Parties to contract</b>	<b>Nature of contract</b>	<b>Date of signature of contract</b>
Senior Bridging Facility Agreement, originally dated 4 November 2019, as amended and restated in the Amended and Restated Senior Bridging Facility Agreement on 30 June 2020.	Stefanutti Stocks Proprietary Limited, Stefanutti Stocks Holdings Ltd, Stefanutti Stocks International Holdings Proprietary Limited and K2011136847 (South Africa) Proprietary Limited	Loan  The original Senior Bridging Facility Agreement (SBFA) was signed on 4 November 2019. This was then amended and restated to consolidate certain supplemental addenda on 30 June 2020. There were a number of different utilisations made, each of which attracted a separate JIBAR linked interest rate. The individual utilisations were then consolidated under one JIBAR linked interest rate loan under the A & R SBFA.	Senior Bridging Facility Agreement signed on 4 November 2019; Amended and Restated Senior Bridging Facility Agreement signed on 30 June 2020
Term Credit Facility Agreement	Stefanutti Stocks Proprietary Limited	Loan  SSPL and Keaton Mining Proprietary Limited entered into a contract on 30 November 2018 ("the Contract"). SSPL subsequently signed a Sale and Cession Agreement with Nedbank on 22 July 2019, in terms of which the receivables due to SSPL in terms of the Contract, were ceded to Nedbank. The Contract was subsequently cancelled and SSPL and Nedbank therefore agreed to refinance the Sale and Cession Agreement in accordance with this agreement.	30 July 2020

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## STEFANUTTI STOCKS HOLDINGS LIMITED

(Registration number 1996/003767/06)

Share code: SSK

ISIN: ZAE000123766

("Stefanutti Stocks" or the "Company" or the "Group")

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### NOTICE OF GENERAL MEETING OF SHAREHOLDERS

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Notice is hereby given that a General Meeting of the Shareholders will be held on **Wednesday, 26 May 2021** at 09:00 entirely by electronic communication. Shareholders are referred to the "Action Required by Shareholders" section of this Circular for information on the procedure to be followed by Shareholders in order to participate and to exercise their votes at the General Meeting.

The purpose of the General Meeting is for Shareholders to consider and, if deemed fit, approve the resolutions contained herein.

Capitalised terms used in this Notice of General Meeting but not otherwise defined shall have the meaning ascribed to them in the Circular to which this Notice of General Meeting is attached.

Only Shareholders who are registered in the Register on **Friday, 21 May 2021** will be entitled to attend, speak and vote at the General Meeting. Therefore, the Last Date to Trade to be eligible to participate and vote at the General Meeting of Stefanutti Stocks Shareholders is **Tuesday, 18 May 2021**.

In terms of section 62(3)(e) of the Companies Act:

- a shareholder who is entitled to attend and vote at the general meeting is entitled to appoint a proxy or two or more proxies to attend, participate in and vote at the general meeting in the place of the shareholder; and
- a proxy need not be a shareholder.

Kindly note that, in terms of section 63(1) of the Companies Act, any person attending or participating in a meeting of shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably verified. Accordingly, all Shareholders recorded in the Register on the voting record date will be required to provide identification satisfactory to the chairman of the General Meeting in order to participate in and vote at the General Meeting. Forms of identification include valid identity documents, drivers' licences and passports.

#### ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE TRANSACTION

**"RESOLVED THAT** in accordance with the Companies Act, the MOI and the Listings Requirements, the Transaction be and is hereby approved and Stefanutti Stocks and/or the Seller be and is hereby authorised to dispose of the Mining Services Division to the Purchaser on the terms, and subject to the conditions set out, in the Transaction Agreement."

In order for Ordinary Resolution Number 1 to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders, present in person or by proxy at the General Meeting, is required. Only Shareholders reflected on the Register as such on the voting record date are entitled to vote on Ordinary Resolution Number 1.



### **Reason and effect**

The reason for Ordinary Resolution Number 1 is that the value of the Transaction exceeds 30% of Stefanutti Stocks' market capitalisation, resulting in the Transaction qualifying as a Category 1 Transaction in terms of section 9 of the Listings Requirements, which requires shareholder approval by way of an ordinary resolution. The effect of Ordinary Resolution Number 1, if adopted by the requisite majority of Shareholders, will be to grant the requisite approval for the implementation of the Transaction, as required under the Listings Requirements.

### **ORDINARY RESOLUTION NUMBER 2 – AUTHORITY GRANTED TO DIRECTORS**

**“RESOLVED THAT**, any Director be and is hereby authorised to sign all such documents and do all such things as may be necessary, desirable or incidental for or to the implementation of the Transaction and the resolutions contemplated herein and all such actions taken prior hereto be and hereby are ratified.”

In order for Ordinary Resolution Number 2 to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders, present in person or by proxy at the General Meeting, is required. Only Shareholders reflected on the Register as such on the voting record date are entitled to vote on Ordinary Resolution 2.

### **Reason and effect**

The reason for Ordinary Resolution Number 2 is to authorise any Director to sign all such documents and do all such things as may be necessary, desirable or incidental to the implementation of the resolutions passed at the General Meeting. The effect of Ordinary Resolution Number 2, if adopted by the requisite majority of Shareholders, will be to grant the requisite authority to any Director to sign all such documents and do all such things as may be necessary, desirable or incidental for or to the implementation of the resolutions passed at the General Meeting. The resolution also ratifies actions already taken by Directors in relation to the Transaction.

### **Electronic participation**

The Company has made provision for Shareholders or their proxies to participate electronically in the General Meeting by way of an electronic platform hosted by Computershare. Should you wish to participate in the General Meeting by electric communication as aforesaid, you, or your proxy, will be required to advise the Company thereof by no later than 09:00 on **Monday, 24 May 2021**, for administration purposes only, by submitting by email to proxy@computershare.co.za, with relevant contact details, including an email address, cellular number and landline as well as full details of the Stefanutti Stocks Shareholder's title to securities issued by the Company and proof of identity, in the form of copies of identity documents and share certificates (in the case of certificated Stefanutti Stocks Shares) and (in the case of dematerialised Stefanutti Stocks Shares) written confirmation from the Shareholder's CSDP confirming the Shareholder's title to the dematerialised Stefanutti Stocks Shares.

Upon receipt of the required information, the Shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the General Meeting. Shareholders must note that access to the electronic communication will be at the expense of the Shareholders who wish to utilise the facility.

### **Proxies and authority for representatives to act**

A form of proxy is attached for the convenience of any Shareholder holding certificated Stefanutti Stocks Shares and Dematerialised Shareholders with "Own-Name" registration, who cannot attend the General Meeting but wishes to be represented thereat.

The attached form of proxy is only to be completed by those Shareholders who are:

- holding shares in certificated form; or
- recorded on the Company's sub-register in dematerialised electronic form with "Own-Name" registration.

All other beneficial owners who have dematerialised their Stefanutti Stocks shares through a CSDP or broker and wish to attend the General Meeting, must instruct their CSDP or broker to provide them with the necessary letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These Shareholders must not use a form of proxy.

Forms of proxy must be deposited with Computershare by email at proxy@computershare.co.za to be received by no later than 09:00 on **Monday, 24 May 2021**, for administration purposes, or to the Chairman of the General Meeting at any time before the meeting commences by email, care of Mr W Somerville, at w.somerville@mweb.co.za. Any Shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, speak and vote in person at the General Meeting should the Shareholder decide to do so.

A company that is a Shareholder, wishing to attend and participate at the General Meeting should ensure that a resolution authorising a representative to so attend and participate at the General Meeting on its behalf is passed by its directors. Resolutions authorising representatives in terms of section 57(5) of the Companies Act must be lodged with Computershare prior to the General Meeting, for administration purposes, or to the chairman of the General Meeting at any time before the meeting commences by email, care of Mr W Somerville, at w.somerville@mweb.co.za.

**The Company does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of a Dematerialised Shareholder to notify such Shareholder of the General Meeting of Stefanutti Stocks Shareholders or any business to be conducted thereat.**

By order of the Board

**Stefanutti Stocks**

**28 April 2021**

## ELECTRONIC PARTICIPATION FORM

### PARTICIPATION IN THE GENERAL MEETING VIA ELECTRONIC COMMUNICATION:

Capitalised terms used in this Electronic Participation Form shall bear the meanings ascribed thereto in the Circular to which the Notice of General Meeting is attached.

1. **Stefanutti Stocks Shareholders or their duly appointed proxy(ies) that wish to participate in the General Meeting via electronic communication (“Participants”) must apply to the Transfer Secretaries, by delivering this duly completed Electronic Participation Form to:**
  - 1.1 Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the Participant), or by email to proxy@computershare.co.za so as to be received by Computershare by no later than 09:00 on **Monday, 24 May 2021**, for administrative reasons, in order for the Transfer Secretaries to arrange such participation for the **Stefanutti Stocks** Shareholder and for the Transfer Secretaries to provide the **Stefanutti Stocks** Shareholder with the details as to how to access the General Meeting by means of electronic participation.
  - 1.2 **Stefanutti Stocks** Shareholders may still register/apply to participate in and/or vote electronically at the General Meeting after the aforementioned date, provided, however, that those **Stefanutti Stocks** Shareholders are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the General Meeting.
2. **Important notice**
  - 2.1 The Transfer Secretaries shall, by no later than **Tuesday, 25 May 2021**, notify Participants that have delivered valid notices in the form of this Electronic Participation Form, by email of the relevant details through which Participants can participate electronically, subject to such **Stefanutti Stocks** Shareholders delivering this Electronic Participation Form by 09:00 on **Monday, 24 May 2021**.
  - 2.2 For administrative purposes only, the cut-off time to participate in the General Meeting via electronic communication will be 08:55 on **Wednesday, 26 May 2021** provided that those **Stefanutti Stocks** Shareholders wishing to participate are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the General Meeting.
  - 2.3 Upon receiving a completed Electronic Participation Form, the Transfer Secretaries will follow a verification process to verify each applicant’s entitlement to participate in and/or vote at the General Meeting. The Transfer Secretaries will provide **Stefanutti Stocks** with the email address of each Participant or their duly appointed proxy to enable the Company to forward to such Participant a Zoom meeting invitation required to access the General Meeting. Alternatively, the Transfer Secretaries will forward to such verified **Stefanutti Stocks** Shareholders a Zoom meeting invitation required to access the General Meeting.
  - 2.4 **Stefanutti Stocks** or the Transfer Secretaries will send each Participant a Zoom meeting invitation with a link to “Join the Zoom Meeting” on **Tuesday, 25 May 2021**, to enable Participants to link up and participate electronically in the General Meeting. This link will be sent to the email address nominated by the Participant in this Electronic Participation Form.
  - 2.5 **Stefanutti Stocks** Shareholders connecting to the General Meeting electronically will be able to participate in the General Meeting. The electronic platform Zoom to be utilised for the General Meeting does not provide for electronic voting during the meeting. Accordingly, **Stefanutti Stocks** Shareholders are strongly encouraged to submit votes by proxy in advance of the General Meeting, by completing the form of proxy and lodging the completed form of proxy together with the Electronic Participation Form with Computershare. **Stefanutti Stocks** Shareholders who indicate in this Electronic Participation Form that they wish to vote during the electronic meeting, will be contacted by Computershare to make the necessary arrangements.

## Electronic Participation Form

Full name of Participant:

ID number:

Email address:

\* *Note: this email address will be used by the Company's Transfer Secretaries to share the Zoom meeting invitation required to access the General Meeting electronically.*

Cell number:

Telephone number: (code): (number):

\* *Note: The electronic platform to be utilised for the General Meeting does not provide for electronic voting during the meeting. Accordingly, Stefanutti Stocks Shareholders are strongly encouraged to submit votes by proxy in advance of the General Meeting, by completing the form of proxy.*

Indicate (by marking with an "X") whether:

- votes will be submitted by proxy (in which case, please enclose the duly completed form of proxy with this form) rather than seeking to vote during the General Meeting; or
- the Participant wishes to exercise votes during the General Meeting. If this option is selected, the Company's Transfer Secretaries will contact you to make the necessary arrangements.

Name of CSDP or broker (if Stefanutti Stocks Shares are held in dematerialised format):

Contact number of CSDP/broker:

Contact person of CSDP/broker:

Number of share certificate (if applicable):

Signature:

Date:

### Terms and conditions for participation in the General Meeting via electronic communication

1. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the General Meeting, must be attached to this application.
2. A certified copy of the valid identity document/passport of the person attending the General Meeting by electronic participation, including any person acting in a representative capacity, must be attached to this application.
3. The cost of electronic participation in the General Meeting is for the expense of the Participant and will be billed separately by the Participant's own service provider.
4. The Participant acknowledges that the electronic communication services are provided by third parties and indemnifies Stefanutti Stocks and/or the Transfer Secretaries against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against **Stefanutti Stocks** and/or the Transfer Secretaries, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the Participant via the electronic services to the General Meeting.
5. The application to participate in the General Meeting electronically will only be deemed successful if this Electronic Participation Form has been completed fully and signed by the Participant.



## STEFANUTTI STOCKS HOLDINGS LIMITED

(Registration number 1996/003767/06)

Share code: SSK

ISIN: ZAE000123766

("Stefanutti Stocks" or the "Company" or the "Group")

### FORM OF PROXY – (FOR USE BY CERTIFICATED SHAREHOLDERS AND "OWN-NAME" DEMATERIALISED SHAREHOLDERS ONLY)

For completion by the aforesaid registered Shareholders who are unable to attend the General Meeting of Shareholders of the Company to be held on **Wednesday, 26 May 2021** at 09:00 by electronic communication ("the General Meeting of Stefanutti Stocks Shareholders").

If you are a Dematerialised Shareholder, other than with "Own-Name" registration, do not use this form. Dematerialised Shareholders, other than with "Own-Name" registration, should provide instructions to their appointed Central Securities Depository Participant ("CSDP") or broker in the form as stipulated in the agreement entered into between the Shareholder and the CSDP or broker.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE) of (ADDRESS)

Telephone number

Cellphone number

Email address

being a Shareholder (s) of the Company holding shares in the Company do hereby appoint:

1. \_\_\_\_\_ or failing him,

2. \_\_\_\_\_ or failing him,

3. The Chairman of the General Meeting of Stefanutti Stocks Shareholders

as my/our proxy to vote for me/our behalf at the General Meeting (and any adjournment thereof) for the purpose of considering and, if deemed fit, passing with or without modifications, the following resolutions to be considered at the General Meeting of Stefanutti Stocks Shareholders.

	Number of votes		
	*In favour of	*Against	*Abstain
Ordinary Resolution Number 1: Approval of the Transaction			
Ordinary Resolution Number 2: Authority granted to Directors			

Insert an X or the number of Stefanutti Stocks Shares in the appropriate block. If no indications are given, the proxy will vote as he/she deems fit. Each Shareholder entitled to attend, speak and vote and the meeting may appoint one or more proxies (who need not be a Shareholder of the Company) to attend, speak and vote in his/her stead.

Please read the notes on the reverse side hereof.

Signed at

on

2021

Signature

Assisted by me (where applicable)

Completed forms of proxy must, for administrative purposes, be lodged with the Transfer Secretaries by email at proxy@Computersharemeetings.co.za by no later than 09:00 (South African Standard Time) on **Monday, 24 May 2021**. Alternatively, such forms of proxy may be lodged with the chairman of the General Meeting at any time before the meeting by email, care of Mr W Somerville, at w.somerville@mweb.co.za.

**Notes to form of proxy:**

1. This form of proxy should only be used by Certificated Shareholders or Shareholders who have dematerialised their Stefanutti Stocks Shares with Own-Name registration.
2. All other Shareholders who have dematerialised their Stefanutti Stocks Shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the General Meeting, must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A Shareholder may insert the name/s of one or more proxies, none of whom need be a member of the Company, in the space provided, with or without deleting "the chairman of the General Meeting". The person whose name appears first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the General Meeting.
4. A Shareholder's instructions on the form of proxy must be indicated by the insertion of an "X" or the number of Stefanutti Stocks Shares in the appropriate space provided. Failure to comply with the above will be deemed to authorise the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the General Meeting, or any other proxy to vote or to abstain from voting at the General Meeting as he/she deems fit in respect of all of the Shareholder's votes exercisable thereat. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the Shareholder or by his/her proxy.
5. In order to be effective, completed forms of proxy must reach the Transfer Secretaries by 09:00 on Monday, 24 May 2021, for administration purposes, or to the chairman of the General Meeting by email to w.somerville@mweb.co.za at any time before the meeting commences.
6. The completion and lodging of this form of proxy shall in no way preclude the Shareholder from attending, speaking and voting in person at the General Meeting to the exclusion of any proxy appointed in terms hereof.
7. Should this form of proxy not be completed and/or received in accordance with these notes, the chairman may accept or reject it, provided that in the case of acceptance, the chairman is satisfied as to the manner in which the Shareholder wishes to vote.
8. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the Transfer Secretaries or waived by the chairman of the General Meeting.
9. The chairman shall be entitled to reject the authority of a person signing the form of proxy:
  - 9.1 under a power of attorney; or
  - 9.2 on behalf of a company,unless that person's power of attorney or authority is deposited at the registered office of the Company or Computershare not less than forty- eight hours before the meeting.
10. Where Stefanutti Stocks Shares are held jointly, all joint holders are required to sign the form of proxy.
11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries.
12. Any alteration of or correction to this form of proxy must be initialled by the signatory/ies.
13. On a show of hands, every Shareholder present in person or represented by proxy shall have only one vote, irrespective of the number of Stefanutti Stocks Shares he/she holds or represents.
14. On a poll, every Shareholder present in person or represented by proxy shall have one vote for every share held by such Shareholder.

**SUMMARY OF THE RIGHTS CONTEMPLATED IN SECTION 58 OF THE COMPANIES ACT**

For purposes of this summary, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders' meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
  - 3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and
  - 3.2 a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.
4. Irrespective of the form of instrument used to appoint a proxy:
  - 4.1 the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
  - 4.2 should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:
  - 5.1 stated in the revocation instrument, if any; or
  - 5.2 upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.
6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's Memorandum of Incorporation to be delivered by such company to the shareholder must be delivered by such company to:
  - 6.1 the shareholder; or
  - 6.2 the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the Memorandum of Incorporation of the relevant company or the instrument appointing the proxy provides otherwise.
8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
  - 8.1 such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
  - 8.2 the company must not require that the proxy appointment be made irrevocable; and
  - 8.3 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

**Registered office**

No.9 Palala Street  
Protec Park  
Cnr. Zuurfontein and Oranjerivier Drive  
Kempton Park  
1619

**Computershare Investor Services Proprietary Limited**

proxy@Computershare.co.za