

Mr Siphon Sono
The Business Rescue Practitioner
1st Floor South Wing,
Birchwood Court
43 Montrose Street
Midrand

04 December 2017

BY EMAIL: siphon.sono@opisadvisory.co.za

Dear Mr Sono

OFFER BY MATHUPHA CAPITAL PROPRIETARY LIMITED ("MATHUPHA CAPITAL") TO ACQUIRE SHARES IN, AND RESTRUCTURE THE BUSINESS OF, INCA MASONRY PROPRIETARY LIMITED ("COMPANY")

1 Introduction

- 1.1 We refer to the proposal ("**Proposal**") by Mathupha Capital to the National Empowerment Fund ("**NEF**") dated 06 October 2017.
- 1.2 In the Proposal, Mathupha Capital –
- 1.2.1 highlighted –
- 1.2.1.1 its credentials as a 100 % (one hundred percent) black owned and managed diversified industrial investment company with an appetite to invest in industrial manufacturing companies;
- 1.2.1.2 the credentials of the shareholders and management of Mathupha Capital;
- 1.2.1.3 the strategic focus by Mathupha Capital on identifying investment opportunities in the concrete products manufacturing sector in underdeveloped provinces;
- 1.2.1.4 the technical expertise of Mathupha Capital and its supplier network in the cement product manufacturing sector; and

- 1.2.1.5 synergies that exist between the business of the Company ("**Target Business**") and the business of Rail to Rail Proprietary Limited ("**R2R**"), a concrete rail sleeper manufacturing business located in Kimberley (R2R is part of the Mathupha Capital Group and the intention is to utilise the R2R expertise to turn-around the Target Business and operate it profitably and sustainably);
- 1.2.2 expressed an interest to acquire, directly or through a nominee of Mathupha Capital, a majority interest in the Target Business; and
- 1.2.3 provided a summary of its strategy to turn-around the Target Business.
- 1.3 At the time of the submission of the Proposal, the Company was under financial distress but business rescue proceedings in regard to the Company had not been initiated.
- 1.4 Since the submission of the Proposal –
 - 1.4.1 we understand that the board of directors of the Company has passed a resolution in terms of section 129 of the Companies, No. 71 of 2008 ("**Companies Act**") that the Company voluntarily begin business rescue proceedings and is placed the Company under supervision; and
 - 1.4.2 Mr Sipho Sono has been appointed as the business rescue practitioner in respect of the Company ("**Business Rescue Practitioner**").
- 1.5 The purpose of this letter is to present to the Business Rescue Practitioner a formal offer by Mathupha Capital for the acquisition of all of the issued shares in the capital of the Company ("**Target Shares**"), other than the shares in the share capital of the Company owned by the NEF.

2 Offer

- 2.1 This letter is a formal written offer by Mathupha Capital to the Business Rescue Practitioner for the acquisition of the Target Shares ("**Offer**"). Further, this letter replaces and supersedes in its entirety the offer ("**First Offer**") by Mathupha Capital to purchase the majority interest in the Target Business contained in the letter dated 16 October 2017. Therefore, with effect from the date of this letter, the First Offer shall be of no further force or effect.
- 2.2 Subject to the fulfillment of the conditions set out in paragraph 3 below, Mathupha Capital hereby offers to acquire –through transactions ("**Proposed Transactions**")

structured as more fully set out in paragraph 4 below– the Target Shares for a purchase price equivalent to the nominal value of each Target Share ("**Purchase Price**") and provided that Mathupha Capital lends and advances to the Company a loan of R12 000 000 (twelve million two hundred thousand Rands) to be utilised by the Company as more fully set out in paragraph 5.2 and 5.3 below.

3 **Conditions**

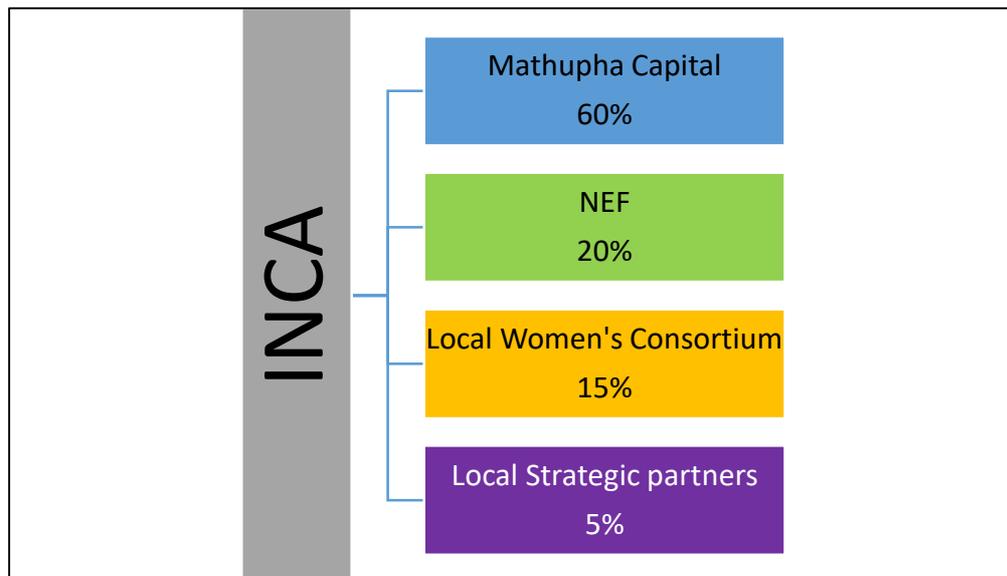
The Offer is subject to the fulfillment or waiver, as the case may be, of the following conditions –

- 3.1 the Business Rescue Practitioner has prepared the business rescue plan ("**Business Rescue Plan**") in accordance with section 150 of the Companies Act and incorporating, in the Business Rescue Plan, the implementation of the Proposed Transactions;
- 3.2 the Business Rescue Plan is duly considered and adopted by the creditors and shareholders of the Company in accordance with section 151 of the Companies Act;
- 3.3 the release from security or encumbrance of all assets owned by the Company which will be transferred by the Company as part of the implementation of the Proposed Transactions;
- 3.4 the Proposed Transactions are approved by the board of directors of Mathupha Capital, in writing;
- 3.5 the signing of restraint of trade agreements by shareholders, key employees and directors of the Company identified by Mathupha Capital who will not be involved in the Target Business and/or the Company after the implementation of the Business Rescue Plan;
- 3.6 the NEF undertakes to, after the implementation of the Proposed Transactions, disburse to the Company a loan of R 2 000 000 (two million Rands) in lieu of the grant funding approved by the DTI and later withheld due to the Company being under financial distress and internal challenges at DTI; The funding will be repayed to NEF from the proceeds of the grant from DTI
- 3.7 the existing outstanding loan amount of R 3 200 000 (three million two hundred thousand Rands) owing by the Company to the NEF is capitalised in full in the manner satisfactory to Mathupha Capital in its sole and absolute discretion;

- 3.8 the signing by Mathupha Capital, the Company and other relevant parties of the final and binding agreements which are required and/or normal in transactions similar to the Proposed Transactions; and
- 3.9 the relevant regulatory authorities approving the Proposed Transactions in writing (to the extent required).

4 Transaction structure

- 4.1 The preliminary view of Mathupha Capital is that the Proposed Transactions will be structured as follows –
 - 4.1.1 a special purpose vehicle ("**NewCo**") will be formed by Mathupha Capital;
 - 4.1.2 NewCo will acquire the Target Shares; and
 - 4.1.3 ordinary shares in the capital of NewCo will be owned by (a) Mathupha Capital, (b) the NEF, (c) a consortium of black women residing where the Target Business operates and to be identified by Mathupha Capital and the NEF and (d) a consortium of black strategic partners who reside where the Target Business operates and to be identified by Mathupha Capital and the NEF, in the following proportions:



5 Utilisation of the Purchase Price

Mathupha Capital proposes, for the Company to be rescued, that the Purchase Price be utilised as follows–

- 5.1 the Purchase Price be allocated to the acquisition of the Target Shares;
- 5.2 R 8 400 000 (five million Rands) be lent and advanced by Mathupha Capital to the Company, on the terms and conditions acceptable to Mathupha Capital and on the basis that such amount shall be utilised to acquire claims of creditors, and to lend the funds required to effect a compromise with the excluded claims as defined in the amended business rescue plan.
- 5.3 R 3 600 000 (three million six hundred thousand Rands) be lent and advanced by Mathupha Capital to the Company, on the terms and conditions acceptable to Mathupha Capital and on the basis that such amount shall be allocated to finance the working capital requirements of the Target Business after the implementation of the Proposed Transactions.

6 Confidentiality

The Offer is made on a strictly private and confidential basis. Therefore, we kindly request that you take appropriate measures to protect the confidentiality of the offer contained in this letter and our discussions in respect thereof. For the avoidance of any doubt, Mathupha Capital consents to the disclosure of the Offer by the Company and the Business Rescue Practitioner to all the relevant stakeholders for the purposes of the preparation and adoption of the Business Rescue Plan and matters ancillary thereto.

7 Conclusion

- 7.1 The Offer shall remain open and capable of acceptance by the Company for a period of 7 (seven) business days immediately from the date of this letter, by signing and dating the appropriate section of this letter below followed by the transmission of such a copy to us by scanning and emailing it to Mathupha Capital at: zimkhitha@rail2rail.co.za.
- 7.2 We are available to meet with you to discuss the Offer and the Proposed Transactions further if you so require.



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Website: www.miginv.co.za
Director: Monde Africa

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Sandhurst, 2194

Registration No. 2008 / 027564 / 07

A handwritten signature in black ink, appearing to be "Zimkhitha Zatu", is written above a horizontal line.

ZIMKHITHA ZATU
MATHUPHA CAPITAL PROPRIETARY LIMITED