

Afrimat Limited
("Afrimat" or "the company" or "the group")
(Incorporated in the Republic of South Africa)
(Registration Number: 2006/022534/06)
Share code: AFT
ISIN code: ZAE000086302

Business update on Afrimat Limited

Afrimat increases asset value through Infrasors

Afrimat's recent R33 million acquisition of a majority stake in resources group Infrasors has strengthened its foothold in the industrial minerals sector and further expanded its geographical reach across South Africa. Since the initial announcement of the acquisition in January 2013 all conditions precedent have been met, triggering the change of control on 1 March 2013 and Afrimat's announcement of its mandatory offer to the remaining Infrasors shareholders.

Afrimat has offered the remaining Infrasors' shareholders 35 cents a share, the same price at which the group bought the initial 50,7% from Hanchurch and retiring Infrasors management. The initial share purchase was settled in cash as will be the shares purchased throughout the mandatory offer.

The Infrasors acquisition makes strategic sense in light of Afrimat's existing operation at dolomite mine, Glen Douglas, which was acquired in January 2011 and successfully turned around by the group. Silica is an additional complementary product for Afrimat brought on board by the Infrasors' transaction. The group has also now expanded its footprint in the country's northern provinces without needing to create additional capacity.

Afrimat CEO, Andries van Heerden, says Afrimat has proven its ability to optimise, and turn around, underperforming assets by increasing production volumes and capacity as well as widening the product range. The company will apply the same management processes and marketing expertise to Infrasors' assets going forward. Afrimat's 50,7% stake gives it immediate strategic control, and van Heerden and Hendrik Verreynne (Afrimat's financial director) have joined the board of Infrasors as non-executive directors. For more information on Infrasors please visit their website at www.infrasors.co.za.

Infrasors fast facts

- Listed on AltX April 2007
- Migrated to JSE Main Board February 2010
 - General Mining sector (share code: IRA)
- Open cast miner
- Products: dolomite, limestone, silica
- Assets:
 - Lyttelton Century Mine - dolomite, 30 year licence
 - Marble Hall Mine - limestone, reserves in excess of 30 years
 - Delf Sands and Delf Silica Coastal - silica sand mines
- Market capitalisation R83 million

Renewable energy sparks Afrimat

The renewable energy sector in South Africa is showing signs of considerable growth, with opportunity beckoning for Afrimat as tenders demand at least 540 000 m³ of concrete for only the first phase of contracts in the Renewable Energy Independent Power Producer Programme (REIPPP). Due to its wide geographic footprint Afrimat is ideally positioned to supply construction materials to this sector.

The bulk of renewable energy activity in South Africa is likely to be centred on wind farms, with a number of solar power projects also due to commence in the short term. It is anticipated that as the country continues to search for alternative energy sources, renewable energy projects are likely to be a major driver of construction activity in the future.

Afrimat keeps its BEE stripes and mining rights

Afrimat has again displayed its forward planning abilities by addressing its BEE ownership in advance of the expiry of existing BEE shareholder Mega Oils' seven year 'lock-in' at the end of November 2013.

The company increased its funding to the group's own BEE Trust, which benefits black employees, to buy the 6,4 million Afrimat ordinary shares held by the Mega Oils SPV at a price of R6,18 per share. Following the finalisation of the transaction Mega Oils will retain 6,2 million directly held shares and the Afrimat BEE Trust will hold 30,4 million shares. Afrimat's move eliminates the potential risk to its mining rights posed by losing its BEE status, while at the same time empowering its own black employees. The transaction was funded from existing cash reserves. A fairness opinion on the transaction was obtained and all regulatory requirements have been met.

Afrimat on a firm financial base

Low debt levels indicate that Afrimat is in a robust cash generating position. The solid financial footing is supported by healthy cash flows, a strong well-managed balance sheet, and margins ahead of the industry.

Afrimat has acquired reputé over the years for successful and prudent acquisitions, which continued during the past year. Both the acquisitions of Glen Douglas in January 2011 and Clinker Group in March 2012 have yielded good growth. Afrimat is involved in on-going cost saving and marketing efforts at both operations. At Glen Douglas, the group has upgraded equipment and engineered a turnaround programme which has significantly improved the performance of this business.

Van Heerden points out that market conditions in the traditional aggregates business have remained challenging over the past year.

Clinker Group fast facts

- Leading supplier of raw clinker material
- PAT of R30 million per annum prior to the acquisition
- Estimated life of raw clinker stockpiles is 10 years

Glen Douglas fast facts

- Open pit mine
- Supplier of metallurgical dolomite, aggregates and agricultural lime
- Annual sales of 1,4 million tons
- Estimated life of mine is over 30 years

Industrial action a managed risk

While Afrimat has been largely spared the acrimonious labour relations experienced in much of the mining industry of late, van Heerden is realistic that strike action of its labour force remains a risk. Last year strike action in KwaZulu-Natal affected the company.

He says management is focussing on minimising this risk as a priority. Labour relations are being managed by adhering strictly to legislation as well as bargaining arrangements, and numerous stakeholder engagement processes are underway in this regard. "We are committed to keeping lines of communication open at all times," van Heerden concludes.