

29 June 2023

The Directors
Zarclear Holdings Limited ("**Zarclear**" or the "**Company**")
9th floor, Katherine Towers
1 Park Lane
Wierda Valley, Sandton
2196

Dear Sirs and Madams,

INDEPENDENT EXPERT REPORT IN RESPECT OF THE MANDATORY OFFER

1. Introduction

African Phoenix Investments Limited ("**African Phoenix**") (together with the parties acting in concert with African Phoenix as fully described in paragraph 4 of the circular dated 4 July 2023 (the "**Circular**")) is required to make a mandatory offer (the "**Mandatory Offer**") to all holders of ordinary shares in the Company ("**Zarclear Shares**" or "**Shares**") (the "**Shareholders**") to purchase their shares at a cash consideration per share of 355 cents (the "**Offer Consideration**") in terms of section 123 of the Companies Act, 2008 (the "**Companies Act**") and Takeover Regulations promulgated thereunder (the "**Takeover Regulations**").

Full details of the Mandatory Offer are contained in the Circular, of which this opinion forms part.

2. Scope

In terms of section 114(3) of the Companies Act and regulation 90 of the Takeover Regulations, Zarclear is required to appoint an independent expert ("**Independent Expert**") in order to opine on the fairness and reasonableness of the Mandatory Offer ("**the Opinion**").

Valeo Capital Proprietary Limited ("**Valeo Capital**") has been appointed by the independent board of directors of Zarclear (the "**Independent Board**") as the Independent Expert to advise on whether the terms of the Mandatory Offer are fair and reasonable to Shareholders.

3. Responsibility

Compliance with the Companies Act is the responsibility of the Independent Board. Valeo Capital's responsibility is to report on the terms of the Mandatory Offer in compliance with the Companies Act and Takeover regulations.

We confirm that this Opinion will be provided to the Independent Board for the sole purpose of assisting them in forming and expressing an opinion for the benefit of Shareholders pertaining to the Mandatory Offer. The Opinion will be distributed to Shareholders prior to the relevant resolutions required to approve the Mandatory Offer being tabled for consideration by the Shareholders.



4. Definition of the terms “fair” and “reasonable”

A transaction will generally be considered fair to a company’s shareholders if the benefits received by shareholders, as a result of a transaction, are equal to or greater than the value surrendered by a company or its shareholders.

The assessment of fairness is primarily based on quantitative considerations. Accordingly, the Mandatory Offer may be considered fair if the Offer Consideration is higher than or equal to the value attributable to Zarclear Shares, or unfair if the Offer Consideration being less than the value attributable to Zarclear Shares.

In terms of the Takeover Regulations, a transaction will be considered reasonable if the value received by the shareholders in terms of the transaction is higher than the market price of the company’s securities at the time that the transaction was announced, if applicable. In addition, the assessment of reasonableness is also based on qualitative considerations surrounding a transaction. Even though a transaction may be unfair based on quantitative considerations, a transaction may still be reasonable after considering other significant qualitative factors.

We have applied the aforementioned principles in preparing our Opinion. The Opinion does not purport to cater for an individual Shareholder’s position but rather the general body of Shareholders. An individual Shareholder’s decision regarding the terms of a transaction may be influenced by its particular circumstances (such as taxation and the original price paid for the shares).

5. Sources of information

In the course of our work, we relied upon information obtained from Zarclear management (“**Management**”) and from various public sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our work include:

- audited annual financial statements of Zarclear and relevant underlying investments for the financial years ended 30 June 2020 to 30 June 2022;
- Management accounts of Zarclear and relevant underlying investments for the period 1 July 2022 to 30 April 2023;
- Latest available valuation models of relevant underlying investments, as prepared by Management;
- forecast financial information for financial year 2023 to financial year 2028 for Zarclear and relevant underlying investments;
- Loan agreements entered into between Zarclear and borrowers;
- Portfolio statements for relevant underlying investments;

- the draft Circular;
- Zarclear's group structure as at 30 June 2022;
- Zarclear's share trading data;
- discussions with Management on prevailing market, economic, legal and other conditions which may affect the underlying value and the rationale for the Mandatory Offer;
- comparative, publicly available financial and market information on appropriate peer issuers in South Africa;
- economic outlooks prepared by leading South African banks; and
- online and subscription databases covering financial markets, share prices, volumes traded and news.

6. Assumptions

We have arrived at our Opinion based on the following assumptions:

- that the terms of the Mandatory Offer are legally enforceable with no material amendments;
- that reliance can be placed on the historical and forecast financial information of Zarclear and its underlying investments;
- the structure of the Mandatory Offer will not give rise to any undisclosed tax liabilities;
- that Zarclear and its underlying investments are not involved in any material legal proceedings or disputes with regulatory bodies;
- there are no undisclosed contingencies that could affect the value of the relevant securities;
- reliance can be placed on Management representations made; and
- the current regulatory and market conditions will not change materially.

7. Procedures

In arriving at our Opinion, we have undertaken the following procedures in evaluating the fairness and reasonableness of the Mandatory Offer:

- considered the rationale for the Mandatory Offer, as presented by Management;
- reviewed the terms of the Mandatory Offer;
- analysed the historical and forecasted information as provided by Management;
- where relevant, corroborated representations made by Management to source documents;
- performed a valuation of the Company as detailed below;
- compared the Offer Consideration to the last traded price of Shares;
- reviewed relevant publicly available information relating to Zarclear;
- performed an analysis of other information considered pertinent to our valuation and Opinion;
- obtained letters of representation from Management confirming that Valeo Capital have been provided with all relevant material information and that all such information provided to us is accurate and complete in all material respects; and
- we determined the fairness and reasonableness of the Mandatory Offer based on the results of the procedures mentioned above. We believe that these considerations justify the Opinion outlined below.

8. Valuation approach

In considering the Mandatory Offer, Valeo Capital performed an independent sum-of-the-parts valuation of Zarclear (“**Valuation**”), considering the appropriate valuation technique to be applied to each of the underlying investments and liabilities which included, *inter alia*, discounted cash flows (“**DCF Valuation**”), market multiples and net asset value where applicable (“**Valuation Approach**”).

Key external and internal value drivers identified in the valuation of Zarclear (including its underlying investments) include, *inter alia*:

- growth in assets under management, margins realised on underlying assets under management and movements in the fair value of the underlying investment portfolio.

The key value drivers as set out above are influenced by various factors, including, *inter alia*:

- the impact of the general South African economy (employment rates, GDP growth, inflation and strength of the South African Rand compared to other key foreign currencies); and
- the growth and global challenges and opportunities in the industry in which Zarclear (and its underlying investments) operates.

9. Reasonableness

In arriving at our Opinion with respect to the reasonability of the Mandatory Offer, we considered, *inter alia*, the following:

- the Offer Consideration is at a discount to the last traded price for Zarclear prior to the release of the Mandatory Offer announcement. It should however be noted that limited share trading liquidity exists for Zarclear; and
- the alternative liquidity event announced by Zarclear, being a scheme of arrangement proposed by Zarclear between Zarclear and its shareholders, in terms of which the proposed odd-lot repurchase consideration is at a significant premium to the Offer Consideration.

10. Opinion

As the ordinary shares in the capital of the Company comprise of the sole class of shares in the issued share capital of the Company, Shareholders are the only persons who may be affected by the Mandatory Offer.

We have considered the terms and conditions of the Mandatory Offer and, based on the aforementioned, we are of the opinion, subject to the limiting conditions as set out below, that the indicative fair value of the Shares amounts to between 557 cents per share and 637 cents per share ("**Mandatory Offer Value Range**"), with the likely core value of 597 cents per share being the midpoint of the Mandatory Offer Value Range. We have compared the Mandatory Offer Value Range to the Offer Consideration of 355 cents per share, which Offer Consideration falls below the Mandatory Offer Value Range. Subject to the conditions set out herein, we are of the opinion that the Offer Consideration is unfair and unreasonable to Shareholders.

11. Limiting conditions

This Opinion is provided to the Independent Board in connection with and for the purpose of the Mandatory Offer, for the sole purpose of assisting the Independent Board in forming and expressing an opinion for the benefit of Shareholders. This Opinion is prepared solely for the Independent Board and therefore should not be regarded as suitable for use by any other party or give rise to third party rights.

We have relied upon and assumed the accuracy of the information provided to and obtained by us in determining our Opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of reaching our Opinion, whether in writing or obtained in discussion with Management, with reference to publicly available or independently obtained information.

While our work has involved a review of, *inter alia*, various sets of annual financial statements and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

The forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to Management forecasts.

This Opinion is provided in terms of the Companies Act. It does not constitute a recommendation to any Shareholder as to how to vote at any Shareholders' meeting relating to the Mandatory Offer or on any matter relating to it. It should not, therefore, be relied upon for any other purpose. We assume no responsibility to anyone if this Opinion is used or relied upon for anything other than its intended purpose. Should an individual Shareholder have any doubts as to what action to take, such Shareholder should consult an independent advisor.

Subsequent developments may affect our Opinion and we are under no obligation to update, review or re-affirm it based on such developments. We have assumed that all conditions precedent referred to in the Circular, including any material regulatory and other approvals, if any, will be properly fulfilled/obtained.

12. Material interest of Zarclear directors

The shareholding of directors of Zarclear, directly and indirectly, is set out in paragraph 7 of Part II of the Circular.

13. Independence and additional regulatory disclosures

We confirm that Valeo Capital has no direct or indirect interest in any transacting party or the Mandatory Offer, nor do we have any relationship with Zarclear or, to the best of our knowledge, to any person related to the Company such as would lead a reasonable and informed third party to conclude that our integrity, impartiality or objectivity has been compromised by such relationship. We also confirm that we have the necessary competence and experience to provide this Opinion. Furthermore, we confirm that our professional fee of R110,000 (excluding VAT) is not contingent upon the outcome of the Mandatory Offer.

The directors, employees or consultants of Valeo Capital allocated to this assignment have the necessary qualifications, expertise and competencies to (i) understand the Mandatory Offer; (ii) evaluate the Mandatory Offer; and (iii) determine the effect of the Mandatory Offer on the value of the Shares and on the rights and interests of Shareholders, or a creditor of Zarclear and are able to express opinions, exercise judgement and make decisions impartially in carrying out this assignment.

14. Consent

We hereby consent to the inclusion of this Opinion and references thereto, in whole or in part, in the form and context in which they appear to be included in any required regulatory announcement or documentation regarding the Mandatory Offer.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Riaan van Heerden', enclosed within a large, loopy circular flourish.

Riaan van Heerden
Valeo Capital Proprietary Limited

29 June 2023

The Directors
Zarclear Holdings Limited ("**Zarclear**" or the "**Company**")
9th floor, Katherine Towers
1 Park Lane
Wierda Valley, Sandton
2196

Dear Sirs and Madams,

INDEPENDENT EXPERT REPORT IN RESPECT OF THE PROPOSED SCHEME OF ARRANGEMENT

1. Introduction

The Company intends to seek shareholder approval to implement a scheme of arrangement in terms of section 114 of the Companies Act, 2008 (the "**Companies Act**") (the "**Proposed Scheme**" or "**Scheme**") to effect i) a 10,000,000 to 1 share consolidation, ii) an offer to holders of Zarclear ordinary shares ("**Zarclear Shares**" or "**Shares**") (the "**Shareholders**") holding less than an integer of 10,000,000 shares (the "**Share Consolidation Minimum Threshold**") to subscribe for additional shares, iii) a cash repurchase of shares below the Share Consolidation Minimum Threshold at a cash consideration per share of 635 cents (the "**Repurchase Consideration**"), and iv) the conversion of the Company to a private company.

Full details of the Scheme are contained in the circular dated 4 July 2023 (the "**Circular**"), of which this opinion forms part.

2. Scope

In terms of section 114(3) of the Companies Act and regulation 90 of the Takeover Regulations, Zarclear is required to appoint an independent expert ("**Independent Expert**") in order to opine on the fairness and reasonableness of the Scheme ("**the Opinion**").

Valeo Capital Proprietary Limited ("**Valeo Capital**") has been appointed by the independent board of directors of Zarclear (the "**Independent Board**") as the Independent Expert to advise on whether the terms of the Scheme are fair and reasonable to Shareholders.

3. Responsibility

Compliance with the Companies Act is the responsibility of the Independent Board. Valeo Capital's responsibility is to report on the terms of the Scheme in compliance with the Companies Act and Takeover regulations.



We confirm that this Opinion will be provided to the Independent Board for the sole purpose of assisting them in forming and expressing an opinion for the benefit of Shareholders pertaining to the Scheme. The Opinion will be distributed to Shareholders prior to the relevant resolutions required to approve the Scheme being tabled for consideration by the Shareholders.

4. Definition of the terms “fair” and “reasonable”

A transaction will generally be considered fair to a company's shareholders if the benefits received by shareholders, as a result of a transaction, are equal to or greater than the value surrendered by a company or its shareholders.

The assessment of fairness is primarily based on quantitative considerations. Accordingly, the Scheme may be considered fair if the Repurchase Consideration is higher than or equal to the value attributable to Zarclear Shares, or unfair if the Repurchase Consideration being less than the value attributable to Zarclear Shares.

In terms of the Takeover Regulations, a transaction will be considered reasonable if the value received by the shareholders in terms of the transaction is higher than the market price of the company's securities at the time that the transaction was announced, if applicable. In addition, the assessment of reasonableness is also based on qualitative considerations surrounding a transaction. Even though a transaction may be unfair based on quantitative considerations, a transaction may still be reasonable after considering other significant qualitative factors.

We have applied the aforementioned principles in preparing our Opinion. The Opinion does not purport to cater for an individual Shareholder's position but rather the general body of Shareholders. An individual Shareholder's decision regarding the terms of a transaction may be influenced by its particular circumstances (such as taxation and the original price paid for the shares).

5. Sources of information

In the course of our work, we relied upon information obtained from Zarclear management (“**Management**”) and from various public sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our work include:

- audited annual financial statements of Zarclear and relevant underlying investments for the financial years ended 30 June 2020 to 30 June 2022;
- Management accounts of Zarclear and relevant underlying investments for the period 1 July 2022 to 30 April 2023;
- Latest available valuation models of relevant underlying investments, as prepared by Management;
- forecast financial information for financial year 2023 to financial year 2028 for Zarclear and relevant underlying investments;

- Loan agreements entered into between Zarclear and borrowers;
- Portfolio statements for relevant underlying investments;
- the draft Circular;
- Zarclear's current Memorandum of Incorporation ("**Current MOI**");
- The proposed new Memorandum of Incorporation, as set out in Annexure 2 to the Circular ("**Replacement MOI**");
- Zarclear's group structure as at 30 June 2022;
- Zarclear's share trading data;
- discussions with Management on prevailing market, economic, legal and other conditions which may affect the underlying value and the rationale for the Scheme;
- comparative, publicly available financial and market information on appropriate peer issuers in South Africa;
- economic outlooks prepared by leading South African banks; and
- online and subscription databases covering financial markets, share prices, volumes traded and news.

6. Assumptions

We have arrived at our Opinion based on the following assumptions:

- that the terms of the Scheme are legally enforceable with no material amendments;
- that reliance can be placed on the historical and forecast financial information of Zarclear and its underlying investments;
- the structure of the Scheme will not give rise to any undisclosed tax liabilities;

- that Zarclear and its underlying investments are not involved in any material legal proceedings or disputes with regulatory bodies;
- there are no undisclosed contingencies that could affect the value of the relevant securities;
- reliance can be placed on Management representations made; and
- the current regulatory and market conditions will not change materially.

7. Procedures

In arriving at our Opinion, we have undertaken the following procedures in evaluating the fairness and reasonableness of the Scheme:

- considered the rationale for the Scheme, as presented by Management;
- reviewed the terms of the Scheme;
- analysed the historical and forecasted information as provided by Management;
- Reviewed the Current MOI and Replacement MOI and considered implementation thereof on the Company's shareholders;
- where relevant, corroborated representations made by Management to source documents;
- compared the Repurchase Consideration to the last traded price of Shares;
- performed a valuation of the Company as detailed below;
- reviewed relevant publicly available information relating to Zarclear;
- performed an analysis of other information considered pertinent to our valuation and Opinion;
- obtained letters of representation from Management confirming that Valeo Capital have been provided with all relevant material information and that all such information provided to us is accurate and complete in all material respects; and

- we determined the fairness and reasonableness of the Scheme based on the results of the procedures mentioned above. We believe that these considerations justify the Opinion outlined below.

8. Valuation approach

In considering the Scheme, Valeo Capital performed an independent sum-of-the-parts valuation of Zarclear (“**Valuation**”), considering the appropriate valuation technique to be applied to each of the underlying investments and liabilities which included, *inter alia*, discounted cash flows (“**DCF Valuation**”), market multiples and net asset value where applicable (“**Valuation Approach**”).

Key external and internal value drivers identified in the valuation of Zarclear (including its underlying investments) include, *inter alia*:

- growth in assets under management, margins realised on underlying assets under management and movements in the fair value of the underlying investment portfolio.

The key value drivers as set out above are influenced by various factors, including, *inter alia*:

- the impact of the general South African economy (employment rates, GDP growth, inflation and strength of the South African Rand compared to other key foreign currencies); and
- the growth and global challenges and opportunities in the industry in which Zarclear (and its underlying investments) operates.

9. Reasonableness

In arriving at our Opinion with respect to the reasonability of the Scheme, we considered, *inter alia*, the following:

- the Repurchase Consideration is at a premium to the last traded price for Zarclear prior to the release of the Scheme announcement. It should however be noted that limited share trading liquidity exist for Zarclear; and
- the alternative liquidity event announced for Zarclear, being a mandatory offer to Zarclear shareholders, under which the offer consideration is at a significant discount to the Repurchase Consideration.

10. Opinion

As the ordinary shares in the capital of the Company comprise of the sole class of shares in the issued share capital of the Company, Shareholders are the only persons who may be affected by the Scheme.

We have considered the terms and conditions of the Scheme and, based on the aforementioned, we are of the opinion, subject to the limiting conditions as set out below, that the indicative fair value of the Shares amounts to between 557 cents per share and 637 cents per share (“**Scheme Value Range**”), with the likely core value of 597 cents per share being the midpoint of the Scheme Value Range. We have compared the Scheme Value Range to the Repurchase Consideration of 635 cents per share, which falls within the Scheme Value Range. In addition,

the Repurchase Consideration is at a premium to the last traded price of Zarclear Shares prior to the announcement of the Scheme. Subject to the conditions set out herein, we are of the opinion that the Repurchase Consideration is fair and reasonable to Shareholders.

11. Limiting conditions

This Opinion is provided to the Independent Board in connection with and for the purpose of the Scheme, for the sole purpose of assisting the Independent Board in forming and expressing an opinion for the benefit of Shareholders. This Opinion is prepared solely for the Independent Board and therefore should not be regarded as suitable for use by any other party or give rise to third party rights.

We have relied upon and assumed the accuracy of the information provided to and obtained by us in determining our Opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of reaching our Opinion, whether in writing or obtained in discussion with Management, with reference to publicly available or independently obtained information.

While our work has involved a review of, *inter alia*, various sets of annual financial statements and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

The forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to Management forecasts.

This Opinion is provided in terms of the Companies Act. It does not constitute a recommendation to any Shareholder as to how to vote at any Shareholders' meeting relating to the Scheme or on any matter relating to it. It should not, therefore, be relied upon for any other purpose. We assume no responsibility to anyone if this Opinion is used or relied upon for anything other than its intended purpose. Should an individual Shareholder have any doubts as to what action to take, such Shareholder should consult an independent advisor.

Subsequent developments may affect our Opinion and we are under no obligation to update, review or re-affirm it based on such developments. We have assumed that all conditions precedent referred to in the Circular, including any material regulatory and other approvals, if any, will be properly fulfilled/obtained.

12. Section 115 and 164 of the Companies Act

Section 115 and 164 of the Companies Act have been included as Appendix A and Appendix B to Annexure 1 of the Circular.

13. Material interest of Zarclear directors

The shareholding of directors of Zarclear, directly and indirectly, is set out in paragraph 10 of the Circular.

14. Independence and additional regulatory disclosures

We confirm that Valeo Capital has no direct or indirect interest in any transacting party or the Scheme, nor do we have any relationship with Zarclear or, to the best of our knowledge, to any person related to the Company such as would lead a reasonable and informed third party to conclude that our integrity, impartiality or objectivity has been compromised by such relationship. We also confirm that we have the necessary competence and experience to provide this Opinion. Furthermore, we confirm that our professional fee of R110,000 (excluding VAT) is not contingent upon the outcome of the Scheme.

The directors, employees or consultants of Valeo Capital allocated to this assignment have the necessary qualifications, expertise and competencies to (i) understand the Scheme; (ii) evaluate the Scheme; and (iii) determine the effect of the Scheme on the value of the Shares and on the rights and interests of Shareholders, or a creditor of Zarclear and are able to express opinions, exercise judgement and make decisions impartially in carrying out this assignment.

15. Consent

We hereby consent to the inclusion of this Opinion and references thereto, in whole or in part, in the form and context in which they appear to be included in any required regulatory announcement or documentation regarding the Scheme.

Yours faithfully



Riaan van Heerden
Valeo Capital Proprietary Limited