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16 November 2020

## **Anglo African Agriculture plc**

### **(“AAA” or the “Company”)**

#### **Positive Update on the Proposed RTO and Positive Trading Update on Comarco**

The Company is providing an update on the proposed acquisition of the Comarco group of companies (the “**Comarco Group**”) and the associated fundraising. The Comarco Group is based in Mombasa, Kenya and is engaged in port and marine logistics activities in East Africa.

AAA has been working with the management of the Comarco Group for over two years, assisting on the group’s operational restructuring and strategic positioning for growth. On 12 November 2018, the Board of AAA announced that a \$1 million loan was advanced to provide general working capital to Comarco Group (the “**Port Loan**”). The Port Loan was provided as part of AAA’s assistance to restructure the Comarco Group. The Port Loan was repayable on 11 November 2020 and is currently accruing interest at 15%. As of 16 November 2020, the sum repayable under the Port Loan is approximately \$1.3mn (c.£1mn), the repayable amount continues to increase as interest accrues daily. On 9 June 2019, AAA signed conditional share purchase agreements (the “**SPAs**”) to acquire the entire share capital of a number of the Comarco Group companies (the “**Proposed Acquisition**”). The SPAs were extended until 31 August 2020.

As per the Proposed Reverse Takeover announcement dated 23 September 2020, the Board of AAA and Comarco Group have been discussing terms of a new extension of the SPAs. The Company is pleased to announce that it has signed a Heads of Terms agreement with Comarco Group that confirms the path to the Reverse Takeover (“**RTO**”).

#### **Highlights of Heads of Terms**

- **Interest in Enlarged Group:** Comarco Group vendors will, prior to any fundraising as part of the RTO, have an approximate 93.7% interest and AAA will have an approximate 6.3% interest (ratios unchanged); This means that the ratio remains the same for the new ownership despite the fall in the AAA share price over the last 12 months
- **Funding:** The Parties have secured a non-binding equity investment term sheet from a large international fund, as well as a non-binding term sheet regarding new debt facilities with Comarco Group with an established East African bank. In addition to this funding, AAA will undertake to secure further fundraising as part of the RTO;
- **Port Loan extension:** AAA has extended the term of the Port Loan for a 4 week period with immediate effect and, upon the reinstatement and variation agreements in relation to the SPAs being signed to 30 April 2021.
- **Termination, and Notice and Break Fee:** Either AAA or Comarco Group can terminate the Heads of Terms by giving notice to the other party of 6 weeks. Should either party give notice which would expire prior to 30 April 2021, the Party giving the notice is subject to an immediately payable break fee which would cover the majority of all costs incurred by either party, and the Port Loan shall be due and payable 6 weeks after the date of such notice. No Break Fee shall be payable if the RTO is not completed by 30 April 2021 or in certain other circumstances. Further details will be provided upon execution of formal SPAs.

## **Funding terms**

The equity funding from the international fund is in the form of a share subscription facility of US\$ 4.5 million available to the Company in 4 tranches over 24 months, being US\$1.5 million on the RTO; US\$2 million 9 months post-RTO and subsequent drawdowns of US\$0.5 million and US\$0.5 million.

The debt funding facilities from a large bank for US\$ 13 million will be earmarked for working capital and capital expenditure as well as a facility to pay off part of the existing bank debt.

Further details will be provided by the Company upon completion of binding documents.

## **Comarco Group trading update**

Overall, the year to date performance of the Comarco Group has been positive.

Operational and financial performance for the financial year ended 30 September 2020

- Unaudited financial results show the consolidated revenue of US\$7.4m (2019: US\$6.8m);
- Consolidated EBITDA of US\$2.2m (2019: US\$1.4m);
- Consolidated PBIT of US\$1.0m (2019: US\$0.1m); and
- Consolidated Net Income before non-recurring items (asset revaluations and FX losses) US\$-2.4 (2019: US\$-3.0).

## **Operational commentary**

- Revenue has returned to 2017 and 2018 levels. Comarco Group expects revenue to continue to grow with solid contracts in place;
- On the Marine revenue segment, the impact of Covid-19 was largely mitigated and notable contracts include the on-going support for the Southern Bypass Road Construction project in Mombasa, on-going support for the Lamu Port, Southern Sudan & Ethiopia (LAPSSET) corridor development and – most recently – the first shipments of project cargo to Mozambique in support of the large LNG projects have been commissioned;
- On the Port revenue segment, Covid-19 had impact on delaying Iron Ore exports destined for China as well as the importation of Coal. This resulted in the slowdown of the expected increase in throughput following the designation of the Comarco Group facility as a private port in July 2019. Comarco Group is nevertheless confident that with the “normalization” of global trade (with the Covid-19 restrictions largely lifted) both the Iron Ore and Coal contracts will increasingly contribute to revenue starting before the calendar year end. There has in the meantime been an increase in the use of the base as a lay-down support facility for the growing levels of contractors needing project cargo to be stage ahead of delivery into Mozambique and this has helped mitigate the slower than expected pick-up in Port trade;
- 2020 EBITDA has returned to the 2017 level. The trends of higher direct costs that are attributable to having the Marine fleet at high levels of utilisation with all attendant costs are being offset by significantly lower and better managed overheads; and
- 2020 PBIT is encouragingly higher than the 2017 level.

Negative net income before non-recurring items despite an improving operational performance is the result of the heavy cost of debt weighing in at US\$3.4m; cost of debt reduction has been and will be the highest strategic priority going forward and management is working with existing lenders and potential future lenders to bring these cost of debt under control through restructured and rescheduled debt facilities.

## **Outlook**

Comarco Group has delivered a solid set of operational results over an extremely disruptive and challenging period of uncertainty and volatility. The recapitalisation and restructuring of Comarco Group are a strategic priority to ensure that current or future opportunities presented are not missed for both Port and Marine segments. Comarco Group will continue to focus on controlling costs and overheads. The business environment in the region is improving with the economic cycle beginning to recover. Comarco Group has shown operational resilience through a turbulent period, and with this momentum, Comarco Group are confident in its positioning to take full advantage of a growing pipeline of contracts.

### **Dynamic Intertrade (“DI”) trading update**

DI has had a challenging year due to COVID-19 however it has managed to increase revenue year on year. This came at a cost of margin. In addition, securing funding has been difficult due to lenders tightening their facilities. However, in line with Broad Based Black Economic Empowerment requirements in South Africa DI is planning to sell a minority stake in the business in return for funding which will assist the Company in the year ending October 2021.

### **Summary**

COVID-19 and the resulting restrictions to travel have both made it near impossible to move the RTO forward at the start of 2020; however, the opportunity to complete the RTO with additional funding has now arrived and the opportunity for both AAA and Comarco Group to move forward is very exciting. The Comarco port is a strategic asset on the East coast of Africa and will receive a large benefit from the Mozambique LNG project that has now commenced. There are numerous other growth opportunities that are expected to appear as COVID-19 subsides and the regional economy recovers.

For further information, please visit [www.aaapl.com](http://www.aaapl.com) or [www.comarcogroup.com](http://www.comarcogroup.com) contact the following:

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