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MARKET NOTICE

Date : 23rd August 2021
Market Notice : **02/2021**
Subject : **SUSPENSION OF ZAR X EXCHANGE LICENCE**
From : ZAR X Markets

Dear Stakeholder,

1. FSCA has resolved to suspend ZAR X exchange licence with effect from 16h00 on Friday 20th August 2021. Your attention is drawn to the attached Stakeholder Announcement which has also been released today via ZAPS.
2. The practical impact of the suspension is that ZAR X will not be able to on-board new listings or accept new orders for transactions in securities listed on the exchange until such time as the position regarding ZAR X regulatory capital requirement is resolved. We have every confidence that this will be achieved sooner rather than later, and in this context view the suspension as temporary.
3. Please note that existing transactions and orders in process or not completed are **not affected** by the suspension and may proceed in the ordinary course of business. These include existing bids/offers, corporate actions and the open-market book build commenced but not completed. **No new orders may be executed.**
4. We apologise for the inconvenience and thank you for your understanding.
5. Enquiries should be addressed to geoffc@zarx.co.za or enel@zarx.co.za .

Geoff Cook

Head: ZAR X Markets

ZAR X (Pty) Ltd
2nd Floor Jindal Africa Building, 22 Kildoon Road, Bryanston 2021
Registration Number 2015/089692/07

Directors: E. Nel, G. Cook, G. Wellsted, S. Zamxaka, H. Motala

ZAR X LETTER TO STAKEHOLDERS

23rd August 2021

Dear Stakeholder,

1. It is with disappointment that we must inform you that the Financial Sector Conduct Authority (FSCA) has suspended the exchange license of ZAR X, effective from 16:00 on August 20, 2021.
2. We had hoped to inform our stakeholders and clients of the fact prior to the publication of the notification by the FSCA. Unfortunately, despite ZAR X having requested time to issue a statement to stakeholders beforehand, the Authority elected to proceed with their announcement notwithstanding. This has caused ZAR X much consternation and embarrassment in the process.
3. The decision by the FSCA to suspend ZAR X's exchange licence is based on non-compliance with Section 8(1)(a) of the Financial Markets Act ("FMA") read with Regulation 8 and 43(2) of the FMA regulations which prescribes the minimum amount of liquid capital that an exchange must hold in reserve ("*regcap*").
4. The quantum of *regcap* that must be held by the exchange has been debated with FSCA since Regulation 8 became a requirement in 2018. In our view, the unique risk mitigating features of the ZAR X exchange model make provision for a lower amount. The presence of *regcap*, or the lack thereof, poses no greater or lesser risk to issuers or investors. ZAR X has lodged an appeal with the FSCA Appeal Tribunal against the reasons for the decision to suspend as well as the prescribed level of *regcap sought to be* imposed. In the circumstances we respectfully submit that the suspension is premature.
5. The suspension remains effective until the position regarding ZAR X *regcap* is resolved to the satisfaction of FSCA. ZAR X has 3 months from the date of suspension, failing which the FSCA will make a final decision on the cancellation of the exchange licence. We are confident that ZAR X will resolve the matter well within the 3-month period.
6. In addition, ZAR X is required to immediately inform all affected persons, including:
 - issuers with listed securities on its exchange;
 - authorised users of its exchange;
 - investors;
 - appointed CSDs;
 - all its stakeholders,

that its licence has been suspended. It must also provide the FSCA with weekly progress reports.

7. The practical impact of the suspension is that ZAR X is not permitted to list new issuers nor accept new orders for transactions in securities. Importantly:
 - 7.1 The listed status of issuers is not impacted in any way;
 - 7.2 Transactions already in progress or not completed, which includes corporate actions and orders already within the ZAR X Trading Platform, remain unaffected and will proceed in the ordinary course of business.
8. The suspension poses no risk to issuers or investors. An investors cash is held separately in an own name account with ZAR X Nominees which is a statutory insolvency remote entity that is administered independently by Computershare. An investors securities are held directly with State in an own name SDA account.
9. Whilst the timing of the suspension is unfortunate, we consider it to be of a temporary nature. As soon as the *regcap* position has been resolved, the suspension will be lifted, and business will resume as normal.
10. Some background to the ZAR X's current financial position is relevant. In September 2020, ZAR X concluded a significant equity transaction with a foreign based investor to acquire a controlling interest in the exchange. The transaction has been stalled due to an inability by ZAR X's largest shareholder the PIC, to grant formal approval of the transaction due to protracted internal issues and governance processes. It was hoped that the transaction would be concluded by 20 August 2021 which would have pre-empted the need for the suspension.
11. The Board of ZAR X will continue to always act in the best interests of the company and all our stakeholders. In this regard ZAR X has engaged with several other potential investors, and negotiations are at an advanced stage.
12. ZAR X has built a significant pipeline of potential listings and innovative investment products over the last year, that have been delayed partly by Covid but will certainly come to fruition once the capital raise has been concluded.
13. We wish to apologise to all our stakeholders for the inconvenience and concern occasioned by the suspension and we give our assurances that we are expending every effort to remedy the situation with minimum disruption to all parties. We undertake to keep you informed of all progress relating to the removal of the suspension as well as the strategy for growing the exchange looking forward.

14. What is most heartening is the amount of support and positive sentiment we have received from our ZAR X community, as well as other market players, notwithstanding the unfortunate circumstances.

If you have any concerns or questions whatsoever, please feel free to contact any one of us at any time.

Etienne Nel – CEO

Email: enel@zarx.co.za

Cell: 083 267 6594

Geoff Cook – Director Markets

Email: geoffc@zarx.co.za

Cell: 083 2737826

Graeme Wellsted – Director Listings

Email: gwellsted@zarx.co.za

Cell: 083 4558588