

SPEAR REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2015/407237/06)

Share code: SEA

ISIN: 000228995

(Approved as a REIT by the JSE)

("Spear" or "the Company")

ACQUISITION OF 1 WATERHOUSE PLACE CENTURY CITY

INTRODUCTION

Shareholders are hereby advised that on 8 June 2018, Spear entered into a sale of shares agreement ("**Sale of Shares Agreement**") with High Mast Properties 30 Proprietary Limited ("**Seller**"), Webram Four Proprietary Limited ("**Webram**") and Adam Lee Morze ("**Morze**") in terms of which Spear will acquire from the Seller 100 ordinary shares in the issued share capital of Webram constituting 100% of the entire issued share capital of Webram, the sole owner of (i) erf 5248 Montague Gardens, measuring 5 900 square metres and held under deed of transfer T49977/2001 and (ii) erf 5254 Montague Gardens, measuring 7 136 square metres and held under deed of transfer T449977/2001, and all improvements thereon, situated at 1 Waterford Place, Century City ("**Property**") ("**Acquisition**").

RATIONALE FOR THE ACQUISITION

This Acquisition is in line with Spears strategy of acquiring high quality assets in excess of R 100m in the Western Cape. Management has identified this asset as one that presents a strong value proposition pre- and post- redevelopment of the asset. Management has proceeded to increase its investment holdings in the Century City node through this Acquisition, as strong demand for high quality office space persists in this node and rental growth remains strong.

PURCHASE CONSIDERATION AND AGENT'S COMMISSION

In terms of the Sale of Shares Agreement, the purchase consideration payable by Spear to the Seller for the Acquisition is an amount equal to the sum of R112 500 000 plus (if the amount is positive) or minus (if the amount is negative) an amount equal to the net working capital of Webram as at the Effective Date (as defined below) ("**Purchase Consideration**").

The Purchase Consideration will be settled as follows:

- a cash deposit in the sum of R 3 000 000 on the later of the date of signature of the Sale of Shares Agreement and Friday, 8 June 2018, which deposit will not be refundable to Spear despite the lapsing or termination of the Sale of Shares Agreement, unless such lapsing or termination is as a result of the fault of the Seller;
- the allotment and issue to the Seller by Spear on the Closing Date (as defined below) of 5 198 020 shares in the share capital of Spear at a price of R10.10 per share ("**Consideration Shares**"); and
- payment of the sum of R57 000 000 in cash.

In addition to the Purchase Consideration, the Purchaser shall pay agent's commission of R2 000 000.

CONDITIONS PRECEDENT

The Acquisition is subject to the fulfilment of the following outstanding conditions precedent –

- by not later than the date of signature of the Sale of Shares Agreement, the shareholders of the Seller passing all such resolutions as may be required in terms of section 112 and section 115 of the Companies Act No. 71 of 2008 to approve and implement the Acquisition; and
- by no later than 28 September 2018, the Acquisition and all agreements and transactions contemplated in the Sale of Shares Agreement (to the extent necessary) being unconditionally approved by the competition authorities in terms of the Competition Act, No. 89 of 1998 or conditionally approved on terms and conditions which each of Spear and the Seller confirms in writing to the other to be acceptable to it.

CLOSING DATE AND EFFECTIVE DATE

The closing date shall be the third business day following the date on which the conditions precedent are fulfilled ("**Closing Date**"). Notwithstanding the Closing Date or the date of signature of the Sale of Shares Agreement, the effective date of the Acquisition will be 1 July 2018 ("**Effective Date**").

OTHER TERMS

The Sale of Shares Agreement contains warranties and indemnities by the Seller and Morze in favour of Spear which are standard for a transaction of this nature.

THE PROPERTY

Details of the Property are as follows:

Property Name and Address	Geographical Location	Sector	Gross Lettable Area (m ²)	Weighted Average Gross Rental/m ²
Erf 5248 Montague Gardens situated at 1 Waterford Place and Erf 5254 Montague Gardens situated at 1 Waterford Place	Century City, City of Cape Town	Commercial	11 030	N/A

Note: The Property is vacant

PROPERTY SPECIFIC INFORMATION

Details regarding the Acquisition, as at the expected Effective Date, are set out below:

Purchase Attributable Shareholders	Yield to	Weighted Average Escalation	Weighted Average Lease Duration (years)	Vacancy % by Gross Lettable Area
12.22%		0	0	100%

Notes:

- a) The costs associated with the Acquisition are estimated at R3 600 000;
- b) The Purchase Consideration is considered to be its fair market value, as determined by the directors of Spear. The directors of Spear are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No. 47 of 2000;
- c) Purchase yield calculated using the rental guarantee; and
- d) Purchase yield attributable to shareholders is reflecting a pre-redevelopment yield.

FINANCIAL INFORMATION

The value of the net assets attributable to Webram for the 11 month period ending 31 May 2018, the date of the most recent management accounts of Webram, was R108 141. Historically, the Property was held in a bare dominium structure which has subsequently been unwound and in terms of which the asset value has been diminished over the life of the aforementioned structure.

The loss after tax attributable to Webram for the 11 month period ending 31 May 2018, the date of the most recent management accounts of Webram, was R2 019 577.

Shareholders should note that the Property, being the only asset owned by Webram, has been vacant for a period of 23 months. As a result of the aforementioned, there has been no rental income or profit for the 11 month financial period ending 31 May 2018 and the financial year ending 30 June 2017.

The management accounts for the 11 month period ending 31 May 2018 on which the aforementioned financial information have been based, has been approved by the directors of Webram. Spear is satisfied with the quality of the management accounts of Webram, however, shareholders are warned that they are unaudited.

In terms of the Sale of Shares Agreement, the Seller has agreed to procure that its auditors prepare and complete unqualified, audited financial statements for the financial year ending June 2018 and present such to the Purchaser by no later than 30 days after the Closing Date.

RENTAL GUARANTEE

Notwithstanding that the Property has been vacant for a period of 23 months, the Seller has provided Spear with a rental guarantee ("**Rental Guarantee**") for a period of 24 months with effect from the Effective Date ("**Rental Guarantee Period**").

In terms of the Rental Guarantee, if the aggregate gross amount of rentals, storage income, tenant operating cost contributions and other recoveries received by Webram in respect of the Property for any six month period falling within the first twelve months of the Rental Guarantee Period is less than the sum of R6 996 000 and for any six month period falling within the

second twelve months of the Rental Guarantee Period is less than the sum of R7 998 000, the Seller shall pay Spear an amount equal to the shortfall in such period.

As security for its obligations in terms of the Rental Guarantee, the Seller has ceded and pledged all of its rights in and to 2 970 297 Consideration Shares, provided that the Seller shall at any time during the Rental Guarantee Period, be entitled to replace the security given by way of such pledge with a deposit of cash, subject to the terms of the Sale of Shares Agreement.

CATEGORISATION

The Acquisition constitutes a Category 2 transaction in terms of the JSE Listings Requirements

Cape Town
11 June 2018

PSG Capital - Sponsor and Corporate Advisor

Cliffe Dekker Hofmeyr – Legal Advisor