

SPEAR REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2015/407237/06)

Share code: SEA

ISIN: ZAE000228995

LEI: 378900F76170CCB33C50

(Approved as a REIT by the JSE)

(“Spear” or “the Company”)



SPEAR
REIT LIMITED

DISPOSAL OF BLACKHEATH PARK AND ISLAND BUSINESS PARK

1. INTRODUCTION

1.1. Shareholders are advised that on 27 May 2021, the Company entered into the following agreements with Inospace 5 Proprietary Limited (“**Purchaser**”) –

1.1.1. a sale of letting enterprise agreement as amended by the first addendum thereto (“**Island Business Park Disposal Agreement**”), in terms of which the Company will dispose of the property known as Island Business Park, situated at Erf 17611, Cape Town (“**Island Business Park Property**”) and the letting enterprise conducted by the Company on the Island Business Park Property (“**Island Business Park Letting Enterprise**”) to the Purchaser, as a going concern, for a disposal consideration of R20 000 000 (“**Island Business Park Disposal Consideration**”) (“**Island Business Park Disposal**”); and

1.1.2. a sale of letting enterprise agreement as amended by the first addendum thereto (“**Blackheath Park Disposal Agreement**”) in terms of which the Company will dispose of the property known as Blackheath Park, situated at Erf 928, Blackheath (“**Blackheath Park Property**”) and the letting enterprise conducted by the Company on the Blackheath Park Property (“**Blackheath Park Letting Enterprise**”) to the Purchaser, as a going concern, for a disposal consideration of R140 000 000 (“**Blackheath Park Disposal Consideration**”) (“**Blackheath Park Disposal**”),

(together, the “**Disposals**”). The combined purchase consideration of R160 000 000 for the Disposals is 0.25% below Book Value.

2. RATIONALE FOR THE DISPOSALS

Management advised the market of its strategy to dispose of assets it considers non-core. The Disposals furthermore align with managements’ loan-to-value (“**LTV**”) reduction roadmap.

3. DISPOSAL CONSIDERATION

3.1. The Island Business Park Disposal Consideration of R20 000 000 and the Blackheath Park Disposal Consideration of R140 000 000 will be settled by the Purchaser being advanced a (i) vendor loan equal to 30% of the Island Business Park Disposal Consideration (“**Island Business Park Vendor Loan**”) and (ii) a vendor loan equal to 30% of the Blackheath Park Disposal Consideration (“**Blackheath Park Vendor Loan**”), by the Company. The balance of the Island Business Park Disposal Consideration and the balance of the Blackheath Park Disposal Consideration will be paid in cash by the

Purchaser to the Company on the Island Business Park Property Transfer Date and the Blackheath Park Property Transfer Date, respectively.

- 3.2. The Island Business Park Vendor Loan shall be repaid within three years from the date of registration of transfer of the Island Business Park Property into the name of the Purchaser ("**Island Business Park Property Transfer Date**") and the Blackheath Park Vendor Loan shall be repaid within three years from the date of registration of transfer of the Blackheath Park Property into the name of the Purchaser ("**Blackheath Park Property Transfer Date**").
- 3.3. Each of the Island Business Park Vendor Loan and the Blackheath Park Vendor Loan will bear interest at the prime rate plus 2%, which interest shall be calculated daily, accrue monthly and be payable monthly in arrears.
- 3.4. If the Island Business Park Property Transfer Date and the Blackheath Park Property Transfer Date, respectively, do not occur on 1 October 2021, the Island Business Park Disposal Consideration will incur interest at the prime rate from 1 October 2021 until the Island Business Park Property Transfer Date and the Blackheath Park Disposal Consideration will incur interest at the prime rate from 1 October 2021 until the Blackheath Park Property Transfer Date. Notwithstanding the aforementioned, the Island Business Park Disposal Consideration shall not exceed R21 400 000 and the Blackheath Park Disposal Consideration shall not exceed R149 800 000.

4. APPLICATION OF THE DISPOSAL CONSIDERATION

The Island Business Park Disposal Consideration and the Blackheath Park Disposal Consideration will be applied by the Company to reduce debt in line with its stated LTV reduction roadmap.

5. CONDITIONS PRECEDENT

- 5.1. The Island Business Park Disposal is subject to the fulfilment of the following outstanding conditions precedent ("**Island Business Park Disposal Conditions Precedent**"):
 - 5.1.1. the Purchaser being satisfied, in its sole discretion, with the results of the due diligence investigation in respect of the Island Business Park Letting Enterprise and delivering a written notice of its satisfaction to the Company;
 - 5.1.2. the Purchaser obtaining mortgage finance on standard terms and condition for a sum of 70% of the Island Business Park Disposal Consideration within 15 business days after the fulfilment or waiver of the Island Business Park Disposal Condition Precedent in 5.1.1 above;
 - 5.1.3. the Purchaser, within 90 days of the date of signature of the Island Business Park Disposal Agreement, obtaining pre-sales of sectional title units to be created over the Island Business Park Property equal to 30% of the Purchaser's projected sales value;
 - 5.1.4. if applicable, within 90 business days after the fulfilment or waiver of the Island Business Park Disposal Condition Precedent in 5.1.3 above, the unconditional

approval of the competition authorities for the Island Business Park Disposal is obtained; and

- 5.1.5. the investment committee of the Company approving the Island Business Park Disposal within 10 days of fulfilment of the Island Business Park Condition Precedent in 5.1.1 above.
- 5.2. The Blackheath Park Disposal is subject to the fulfilment of the following outstanding conditions precedent ("**Blackheath Park Disposal Conditions Precedent**"):
 - 5.2.1. the Purchaser being satisfied, in its sole discretion, with the results of the due diligence investigation in respect of the Blackheath Park Letting Enterprise and delivering a written notice of its satisfaction to the Company;
 - 5.2.2. the Purchaser obtaining mortgage finance on standard terms and condition for a sum of 70% of the Blackheath Park Disposal Consideration within 15 business days after the fulfilment or waiver of the Blackheath Park Disposal Condition Precedent in 5.2.1 above;
 - 5.2.3. the Purchaser, within 90 days of the date of signature of the Blackheath Park Disposal Agreement, obtaining pre-sales of sectional title units to be created over the Blackheath Park Property equal to 30% of the Purchaser's projected sales value;
 - 5.2.4. if applicable, within 90 business days after the fulfilment or waiver of the Blackheath Park Disposal Condition Precedent in 5.2.3 above, the unconditional approval of the competition authorities for the Blackheath Park Disposal is obtained; and
 - 5.2.5. the investment committee of the Company approving the Blackheath Park Disposal within 10 days of fulfilment of the Blackheath Park Condition Precedent in 5.2.1 above.
- 5.3. In addition to the above, the Island Business Park Disposal Agreement and the Blackheath Park Disposal Agreement are inter-conditional in that the one agreement will only become final and binding upon the other agreement becoming final and binding, simultaneously with the fulfilment or waiver of the final Island Business Park Disposal Condition in respect of the Island Business Park Disposal Agreement and the final Blackheath Park Disposal Condition in respect of the Blackheath Park Disposal Agreement.

6. EFFECTIVE DATE OF THE DISPOSAL

- 6.1. The effective date of the Island Business Park Disposal will be the Island Business Park Property Transfer Date, which shall be as soon as is reasonable and practicable after all the Island Business Park Conditions Precedent have been fulfilled or waived.
- 6.2. The effective date of the Blackheath Park Disposal will be the Blackheath Park Property Transfer Date, which shall be as soon as is reasonable and practicable after all the Blackheath Park Conditions Precedent have been fulfilled or waived.

7. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

Each of the Island Business Park Disposal Agreement and the Blackheath Park Disposal Agreement contains warranties, undertakings and indemnities by the Company in favour of the Purchaser, and by the Purchaser in favour of the Company, which are standard for transactions of this nature.

8. THE PROPERTIES

Details of the Island Business Park Property and the Blackheath Park Property are as follows:

Property Name and Address	Geographical Location	Sector	Gross Lettable Area (m²)	Weighted Average Gross Rental / m²
Island Business Park situated at Erf 17611, Cape Town	Paarden Eiland, Cape Town	Commercial	2 405	R90.37
Blackheath Park, situated at Erf 928, Blackheath	Blackheath Industria, Cape Town	Industrial	37 334	R35.08

Notes:

- a) In addition to the Island Business Park Disposal Consideration and the Blackheath Park Disposal Consideration, the costs associated with the Disposals are estimated at R4 000 000 including VAT. Agents' commission is payable in respect of the Disposals.
- b) The Island Business Park Disposal Consideration payable in respect of the Island Business Park Letting Enterprise (which includes the Island Business Park Property) and the Blackheath Park Disposal Consideration payable in respect of the Blackheath Park Letting Enterprise (which includes the Blackheath Park Property) are considered to be its fair market value, as determined by the directors of the Company. The directors of the Company 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.

9. FINANCIAL INFORMATION

The value of the net assets comprising the Island Business Park Property as at 28 February 2021, being the date of the last audited annual financial statements, was R22 400 000.

The audited profits after tax attributable to the Island Business Park Property for the year ended 28 February 2021, was R2 705 833, based on the audited annual financial statements of Spear REIT Limited, which were prepared in terms of IFRS.

The value of the net assets comprising the Blackheath Park Property as at 28 February 2021, being the date of the last audited annual financial statements, was R138 000 000.

The audited profits after tax attributable to the Blackheath Park Property for the year ended 28 February 2021, was R13 176 437, based on the audited annual financial statements of Spear REIT Limited, which were prepared in terms of IFRS.

10. CLASSIFICATION OF THE DISPOSAL

The Disposals have been aggregated and accordingly constitute a category 2 transaction in terms of the JSE Limited Listings Requirements.

27 May 2021

Cape Town

Sponsor and Corporate Adviser

PSG Capital



PSG CAPITAL