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## CONDUIT CAPITAL LIMITED

Incorporated in the Republic of South Africa

(Registration number 1998/017351/06)

Share code: CND ISIN: ZAE000073128

(“Conduit Capital” or “the Company”)

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### ACQUISITION OF PROPERTY DEVELOPMENT COMPANY AND CAUTIONARY ANNOUNCEMENT

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#### 1. INTRODUCTION

The Board of directors of Conduit Capital (“**the Conduit Capital Board**”) would like to advise shareholders that Constantia Risk and Insurance Holdings Proprietary Limited (“**Constantia**”), a wholly-owned subsidiary of the Company, has entered into a binding share sale and subscription agreement (“**Agreement**”) with Trustco Property Holdings Proprietary Limited (“**Trustco Properties**”). Trustco Properties is a wholly-owned subsidiary of Legal Shield Holdings Limited (“**LSH**”), which is in turn a subsidiary of Trustco Group Holdings Limited (“**Trustco**”). In terms of the Agreement and subject to certain suspensive conditions, Constantia has agreed to acquire 100% of the issued ordinary shares and all loan accounts (if any) (“**Sale Shares**”) of Herboth's Property Development Proprietary Limited (“**Herboth's**”) in consideration for Constantia issuing shares to Trustco Properties (“**the Transaction**”).

The Transaction requires approval from the Conduit Capital Board and constitutes a Category 1 related party transaction in terms of section 9.5(b) of the Listings Requirements of JSE Limited (“**JSE Listings Requirements**”), which will require approval by ordinary resolution of the shareholders of Conduit Capital in a general meeting (“**Conduit Shareholders Approval**”). Conduit Capital will issue a circular convening a shareholders meeting and containing full details of the Transaction (“**Conduit Transaction Circular**”) in due course.

The effective date per the agreement is 30 December 2019 or the soonest practical date thereafter and the closing date of the Transaction shall be the 5<sup>th</sup> business day after the fulfilment of the suspensive conditions set out in paragraph 3 below (“**Closing Date**”).

#### 2. THE TRANSACTION

##### 2.1 Nature of the business of Constantia and Herboth's

###### 2.1.1 Constantia

Constantia is Conduit Capital's wholly-owned insurance business that operates across three insurance licences. It offers insurance and risk management solutions, covering areas such as medical malpractice, primary health insurance and medical gap cover products, funeral and life insurance, guarantee and indemnity solutions, medical evacuation insurance, property and casualty, heavy commercial vehicle, small business and other niche lines.

Constantia's products are distributed through underwriting management agencies, administrator managed (binder based) broker distribution, and certain direct broker relationships. Over the past three years, Conduit Capital has invested significantly in capacity, skills and infrastructure at Constantia to improve the underwriting, distribution and innovation capability, thereby building its competitive advantage.

### 2.1.2 Herboth's

Herboth's is the holder of the property described as the remainder of the Farm Herboth's No.485, situated in the Settlement Area of Kapps Farm in the Windhoek District, Khomas Region, Namibia, measuring 2605.0513 (two thousand six hundred and five point zero five one three) hectares and to be known as the Herboth's Blick Township ("**HB Property**").

Trustco Properties is in the process of undertaking a number of activities to develop the HB Property including planning, registration as a township, subdivision and servicing of the HB Property via the installation of internal service infrastructure including, water, roads, sewerage, drainage and electricity connections and ultimately the sale of the residential and business erven to third party purchasers ("**HB Development**").

On 7 October 2019, the Need and Desirability for Township establishment on the HB Development was approved in terms of Section 5(5) (a) (i) of the Townships and Division of Land Ordinance (Ordinance No. 11 of 1963), of Namibia as amended.

Shareholders are encouraged to read Volume Two of Trustco's 2019 Integrated Annual Report (<https://www.tgh.na/iar-2019-financial/>) as well as the Trustco announcement dated 11 February 2020, which provides more detail about this development.

## 2.2 Rationale for the Transaction

2.2.1 Trustco Properties is one of the largest private land developers in Namibia. It is the business of Trustco Properties to develop properties and sell the developed properties to third parties. In terms of the Transaction, Trustco Properties will sell the property at a market related value of NAD 1 000 000 000 (one billion Namibia Dollars), in the ordinary course of business.

2.2.2 Through the Transaction, Constantia's net equity value and solvency capital increases substantially, thereby enabling Constantia to consolidate its existing business, grow premium volume significantly, and pursue new organic and inorganic growth opportunities.

2.2.3 The Transaction will further create opportunities for the businesses of LSH and Constantia to leverage each other's respective skills, asset bases and mutually beneficial growth opportunities.

## 2.3 Purchase Consideration

Subject to any adjustment made to the Purchase Consideration as set out in paragraph 2.4 below, the purchase consideration payable by Constantia to Trustco Properties in respect of the Sale Shares is an amount of R1 000 000 000 (one billion Rand) ("**Purchase Consideration**"). The Purchase Consideration will be settled as follows:

2.3.1 Constantia shall pay R50 000 000 (fifty million Rand) in cash ("**Cash Consideration**") as follows:

2.3.1.1 R20 000 000 (twenty million Rand) on or about the date hereof; and

2.3.1.2 the balance of the Cash Consideration within 90 days from the date of signature of the Agreement ("**Signature Date**").

At any time before the Closing Date, the Cash Consideration constitutes a refundable deposit that will become non-refundable and become part of the payment of the Purchase Consideration on the Closing Date.

2.3.2 The issue and allotment of newly issued ordinary shares in Constantia (“**Subscription Shares**”) to the value of the Purchase Consideration less the Cash Consideration to Trustco Properties. For the purposes of the issuance of the Subscription Shares, the parties have agreed that the current value of the total issued ordinary shares in Constantia is R2 000 004 232 (two billion four thousand two hundred and thirty-two Rand), which value of Constantia will increase by the amount of the Purchase Consideration less the Cash Consideration. Subject to any adjustment made to the Purchase Consideration as set out in paragraph 2.4, the value of the Subscription Shares to be issued to Trustco Properties shall be R950 000 000 (nine hundred and fifty million Rand), and result in TrustCo Properties owning approximately 32.20% of Constantia, post issuance (now valued at R2 950 004 232 (two billion nine hundred and fifty million four thousand two hundred and thirty two Rand)) of the Subscription Shares.

#### 2.4 Adjustment to the Purchase Consideration

Trustco Properties and Constantia will each obtain a valuation of the HB Property and the HB Development within 4 (four) weeks of Signature Date. The aforesaid valuations must be prepared by an accredited valuator in Namibia experienced in the valuation of publicly listed entities in the real estate sector.

If the value determined for the HB Property and the HB Development in terms of either of the valuations prepared as aforesaid is less than R950 000 000 (nine hundred and fifty million Rand) or greater than R1 050 000 000 (one billion and fifty million Rand), the Purchase Consideration will be increased or decreased (as applicable) to be equal to the average of the values determined in terms of the two valuations obtained as aforesaid (“**Average Property Valuation**”); provided always that either party will have an option to cancel the Agreement by giving 5 (five) days’ notice to the other party, if the Average Property Valuation is R800 000 000 (eight hundred million Rand) or less.

Under no circumstances will the Subscription Shares to be issued to Trustco Properties in terms of the Sale and Subscription Agreement exceed 49.9% of the issued share capital of Constantia post the subscription.

### 3. SUSPENSIVE CONDITIONS TO THE TRANSACTION

The Transaction is subject to the fulfilment or waiver of the following suspensive conditions on or before 31 March 2020 or such later date as the parties may agree before such date:

- 3.1 Constantia has taken all required corporate action and obtained all required corporate approval for the issue and allotment of the Subscription Shares to Trustco Properties as payment in full to Trustco Properties for the Sale Shares, including approval of the Conduit Capital Board.
- 3.2 The parties obtain all regulatory approvals required for the execution of the Transaction by both parties.
- 3.3 The parties and/or their nominees entering into an arm’s length market-related Property Services and Management Agreement in form and substance acceptable to each of the parties, including to provide for the payment of a property management fee in an amount equal to 1% of the value of HB Property and the HB Development, which agreement must be completed within 4 (four) weeks from the Signature Date.

## 4. FINANCIAL INFORMATION

### 4.1 Constantia

The audited net asset value of Constantia as at 30 June 2019 was R699 million. The audited loss after tax attributable to Constantia for the year ended 30 June 2019 was R582 million.

The financial statements were prepared in accordance with International Financial Reporting Standards and the Companies Act, 2008 (Act 71 of 2008), as amended.

### 4.2 Herboth

The unaudited net asset value of Herboth as at 30 September 2019 was NAD 137.5 million. The unaudited profit after tax attributable to Herboth for the six months ended 30 September 2019 was NAD 0.4 million. The exchange rate of NAD to ZAR is 1:1.

The financial statements were prepared in accordance with International Financial Reporting Standards.

The *pro forma* financial effects of the Transaction will be detailed in the Conduit Transaction Circular.

## 5. CLASSIFICATION OF THE TRANSACTION AND FURTHER DOCUMENTATION

As set out in section 1 of this announcement, the Transaction constitutes a Category 1 related party transaction in terms of the JSE Listings Requirements. The Conduit Transaction Circular will contain full details of the Transaction, including without limitation a notice to convene a general meeting of shareholders of Conduit Capital in order to consider and, if deemed fit to pass, with or without modification, the resolutions necessary to approve and implement the Transaction will be issued in due course.

Sean Riskowitz, Chief Executive Officer of Conduit Capital, controls Protea Asset Management (“**Protea**”). Protea is the Investment Advisor to the Riskowitz Value Fund LP and other accounts (“**RVF**”). RVF is a material shareholder of Conduit Capital. RVF, through its material shareholding in both Trustco and LSH indirectly controls in excess of 35% of the votes able to be cast at general meetings of LSH and therefore LSH is considered to be an associate of RVF. As Trustco Properties is a wholly-owned subsidiary of LSH, it is also considered to be an associate of RVF and a related party to Conduit Capital in terms of paragraph 10.1(b) of the Listings Requirements. Protea, RVF and their associates will accordingly be precluded from voting on the Transaction.

## 6. CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the “Disposal of Assets and Withdrawal of Cautionary Announcement” released on SENS on 9 December 2019. Given the intention to conclude the Transaction in advance of implementing the previous transaction contemplated therein and that the Transaction may have an effect on the terms and structure required to implement the previously announced transaction, shareholders are advised to exercise caution when dealing in the Company’s securities until a further announcement relating to the terms and structure of the previous transaction is made.

Johannesburg  
11 February 2020

**Corporate Adviser and Sponsor to Conduit Capital**  
Merchantec Capital

**Legal Adviser to Conduit Capital**

Africa Solved Advisory Proprietary Limited