

RESILIENT REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2002/016851/06)

JSE share code: RES ISIN: ZAE000209557

Bond company code: BIRPIF

(Approved as a REIT by the JSE)

(“Resilient” or the “Company”)



PROPOSED TRANSACTION WITH FORTRESS AND CAUTIONARY ANNOUNCEMENT

1. Introduction and rationale

Resilient shareholders are advised that Resilient envisages acquiring from Fortress REIT Limited (“Fortress”) all the Resilient shares and certain shares in Lighthouse Capital Limited (“Lighthouse”) held by Fortress together with certain interests in properties (the “Acquisition Portfolio”), in consideration for which Fortress will acquire certain properties (the “Disposal Portfolio”) from Resilient (the “Proposed Transaction”).

In effect, Resilient eliminated the cross-shareholding between it and Fortress in May 2018 when it distributed its holding of Fortress B shares to Resilient shareholders (other than those Fortress B shares that remained due to rounding and which were subsequently sold). Resilient does not hold any shares in Fortress at present.

The Proposed Transaction provides Resilient with an opportunity to repurchase and cancel and/or hold as treasury shares 41 060 000 Resilient shares held by Fortress. In addition, the Proposed Transaction provides Resilient with an opportunity to acquire an attractive investment of 33 381 901 shares in Lighthouse to take its holding to 29,7% of the issued shares of Lighthouse.

The envisaged exchange of interests in properties between Resilient and Fortress ends all co-ownership arrangements in their property portfolios and reflects the operational separation that may have been a concern for some Resilient shareholders. Resilient considers the proposed property disposals and acquisitions appropriate for its portfolio of directly held properties in South Africa.

2. Terms of the Proposed Transaction

Resilient proposes to sell to Fortress a portfolio of property interests (independently valued at 30 June 2018 at R3 391,9 million) and to acquire from Fortress a portfolio of property interests (independently valued at 30 June 2018 at R672,7 million). Both portfolios will be independently valued for the Proposed Transaction at 28 February 2019. Details of both portfolios are set out below.

In addition, Resilient or a wholly-owned subsidiary of Resilient will acquire 41 060 000 Resilient shares from Fortress, constituting a specific share repurchase by Resilient in terms of section 48(8) read with sections 114 and 115 of the Companies Act, Act no. 71 of 2008 (the “Companies Act”), and in terms of the JSE Listings Requirements (the “Resilient Share Repurchase”). The Resilient Share Repurchase will be undertaken at R59,8393 per Resilient share, being the 30-day clean volume weighted average traded price as measured at the close of market on Thursday, 28 February 2019, amounting to an aggregate repurchase consideration of R2 457 001 658. Fortress will retain the dividend of R2,6366 per Resilient share for the six months ended 31 December 2018, declared by Resilient on Friday, 15 February 2019.

Resilient or a wholly-owned subsidiary of Resilient will also acquire from Fortress 33 381 901 Lighthouse shares (the “Lighthouse Sale Shares”) at a price of R6,9648 per Lighthouse share, being the 30-day volume weighted average traded price as measured at the close of market on Thursday, 28 February 2019, amounting to an aggregate purchase consideration of R232 498 264. Resilient will be entitled to any dividend declared by Lighthouse in respect of the shares it will acquire pursuant to the Lighthouse Sale Shares after the commercial effective date of 1 March 2019. Any such dividend received by Fortress from Lighthouse will be ceded or paid to Resilient on or before the implementation date for the Proposed Transaction.

Any balance due by either party to the other on implementation of the Proposed Transaction will be settled in cash.

It is anticipated that the impact of the Proposed Transaction on Resilient's dividend per share will be largely neutral and that Resilient's loan-to-value ratio will not change materially.

The Proposed Transaction will be implemented on the last business day of the month following the date upon which the Proposed Transaction becomes unconditional and is expected to be on 28 June 2019.

2.1 The portfolio to be sold by Resilient to Fortress

The Disposal Portfolio comprises the following properties:

Property	Ownership type	Location	Resilient % ownership	Fair value for % ownership ^{(1) (2)} (R'm)
Brits Mall	Undivided share	North West	95%	769,4
Circus Triangle	Full title	Eastern Cape	100%	694,1
Northam Plaza	Full title	Limpopo	100%	538,6
Mahikeng Mall	Share in Southern Palace Investments 19 Proprietary Limited	North West	90%	403,3
Village Mall Kathu	Full title	Northern Cape	100%	473,5
Murchison Mall	Full title	KwaZulu-Natal	100%	381,0
Tzaneen Lifestyle Centre	Undivided share	Limpopo	45%	88,5
Tzaneen Lifestyle Centre land	Undivided share	Limpopo	45%	27,0
Brits Mall land	Full title	North West	100%	16,5
Total				R3 391,9

(1) Fair value of the properties or Resilient's percentage ownership in each property as at 30 June 2018, as independently valued by Jones Lang LaSalle Proprietary Limited ("JLL").

(2) The fair values shown will be updated to reflect the fair values as at 28 February 2019.

In addition to the Proposed Transaction, Fortress will assume the co-owner loan advanced by Resilient in respect of Tzaneen Lifestyle Centre. This was valued at R59,0 million as at 30 June 2018.

2.2 The portfolio to be acquired by Resilient from Fortress

The Acquisition Portfolio comprises the following properties.

Property	Ownership type	Location	Fortress % ownership	Fair value for % ownership ^{(1) (2)} (R'm)
Galleria Mall	Share in Arbour Town Proprietary Limited	KwaZulu-Natal	25%	550,3
Arbour Crossing	Share in Arbour Town Proprietary Limited	KwaZulu-Natal	25%	122,4

Total	672,7
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- (1) Fair value of Fortress' percentage ownership in each property as at 30 June 2018, as independently valued by JLL.
(2) The fair values shown will be updated to reflect the fair values as at 28 February 2019.

2.3 Conditions

The Proposed Transaction will be subject to all usual conditions including the following:

- Fortress completing a comprehensive due diligence investigation in respect of the Disposal Portfolio;
- The conclusion of comprehensive agreements in respect of the Proposed Transaction;
- The waiver of any rights of first refusal or pre-emptive rights that any other part-owners of properties in the Disposal Portfolio have;
- Resilient's board of directors approving the Proposed Transaction;
- Fortress's board of directors approving the Proposed Transaction;
- securing, to the extent necessary, regulatory approvals from all relevant regulators, including the relevant competition authorities, the Takeover Regulations Panel, the JSE Limited and the Financial Surveillance Department of the South African Reserve Bank in order to be able to conclude and implement the Proposed Transaction; and
- approval, where required, by the requisite majority/ies of Resilient and Fortress shareholders of all resolutions necessary to implement the Proposed Transaction as required in terms of the Companies Act and the JSE Listings Requirements.

3. Categorisation of the Proposed Transaction

The Resilient Share Repurchase (which forms part of the Proposed Transaction) constitutes a specific repurchase of shares in terms of section 5.69 of the JSE Listings Requirements, requiring Resilient shareholder approval.

The Proposed Transaction will constitute a Category 2 transaction for Resilient in terms of the JSE Listings Requirements. Resilient proposes to obtain shareholder approval for the Proposed Transaction by way of an ordinary resolution of shareholders and will provide shareholders with a fairness opinion, prepared by an independent expert as if required in terms of paragraph 10.4(f) of the JSE Listings Requirements.

A circular containing full details of the Proposed Transaction and the Resilient Share Repurchase will be sent to Resilient shareholders in due course.

4. Further details of the Proposed Transaction and cautionary announcement

The full details of the Proposed Transaction and the Resilient Share Repurchase will be provided to shareholders once formal agreements have been finalised and signed by Resilient and Fortress. Resilient shareholders are advised to exercise caution when dealing in Resilient shares until a further announcement is made.

5 March 2019

Corporate advisor and sponsor

JAVACAPITAL