

CALGRO M3 HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2005/027663/06)

Share code: CGR

ISIN: ZAE000109203

("Calgro M3" or "the Company")



DISPOSAL OF INTERESTS IN PZR PENNYVILLE ZAMIMPHILO RELOCATION PROPRIETARY LIMITED

1. INTRODUCTION

Shareholders are advised that on 25 February 2021 ("**Signature Date**"), the Company, through its wholly-owned subsidiaries, MS5 Pennyville Proprietary Limited ("**MS5 Pennyville**"), Calgro M3 Developments Limited ("**CM3 Developments**") and PZR Pennyville Zamamphilo Relocation Proprietary Limited ("**PZR**"), entered into a sale of shares and claim agreement ("**Agreement**") with Proptec Residential Proprietary Limited and Lonny Enterprise Trading Proprietary Limited ("**Purchasers**"), in terms of which CM3 Developments disposed of (i) 100 ordinary shares, constituting 100% of the issued share capital of MS5 Pennyville ("**Sale Shares**") and (ii) a loan claim in the amount of R10 500 000 it has against PZR ("**Loan Claim**"), to the Purchasers, for a total consideration of R49 265 000 ("**Disposal Consideration**") ("**Disposal**").

2. DESCRIPTION OF THE ASSETS

PZR holds the development rights to the Vista Park Extension 3 integrated development, located on a proposed portion of the Farm Bloemfontein 654, Bloemfontein, Free State Province, which it obtained from the Mangaung Metropolitan Municipality in September 2014.

PZR holds no other assets.

3. RATIONALE FOR THE DISPOSAL

In line with the Company's strategic decision published some time ago to focus on fewer Provinces and projects, Calgro M3 is negotiating the exit from, and/or entry into joint venture relationships, on various projects. In line with capital allocation priorities, the proceeds of transactions on such projects will be applied toward projects that are further progressed and where a better return can be achieved, and/or the reduction of debt, and/or possible further share buy-back transactions at levels management deem to be at a material discount to not only intrinsic value but also tangible asset value as illustrated in our financial results.

As the Vista Park Extension 3 project is still in its infancy, the Disposal will have virtually no effect on revenue or profits in the short to medium term. The Company owns numerous concurrently running well established residential integrated developments, which are expected to yield good returns in the short to medium term.

4. DISPOSAL CONSIDERATION

The aggregate Disposal Consideration is R49 265 000 and will be paid by the Purchasers to CM3 Developments, jointly and severally, the one paying, the other to be absolved, as follows:

- R38 765 000 in respect of the Sale Shares on or before 31 May 2021, and
- R10 500 000 in respect of the Loan Claim on or before 31 January 2022.

5. APPLICATION OF THE DISPOSAL CONSIDERATION

The Disposal Consideration will be applied towards (i) working capital requirements on performing projects, (ii) debt settlement, and (iii) possible further share buy-backs at levels management deem a material discount to not only intrinsic value but also balance sheet and tangible asset value.

6. CONDITIONS PRECEDENT

There are no conditions precedent to the Disposal.

7. EFFECTIVE DATE OF THE DISPOSAL

The effective date of the Disposal is the first business day after the Signature Date.

8. FINANCIAL INFORMATION

The value of the net assets of MS5 Pennyville as at 29 February 2020, being the date of the last audited annual financial statements of the entity, was R100.

The value of the net assets of PZR (taking into account the Loan Claim) as at 29 February 2020, being the date of the last audited annual financial statements of the entity, was R10 821 316.

The audited profits after tax attributable to the Sale Shares and Loan Claim for the year ended 29 February 2020, was R450 687.00, based on the audited annual financial statements of PZR for the year ending 29 February 2020, which were prepared in terms of IFRS.

9. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

The Agreement contains representations and warranties by CM3 Developments in favour of the Purchaser which are standard for a transaction of this nature. In addition to the representations and warranties, the Agreement also contains indemnities by CM3 Developments in favour of the Purchasers which are standard for a transaction of this nature.

10. CLASSIFICATION OF THE DISPOSAL

The Disposal constitutes a category 2 transaction in terms of the JSE Limited Listings Requirements.

Johannesburg
26 February 2021

Corporate Advisor and Sponsor
PSG Capital



PSG CAPITAL