VALUATION REPORT

OF

LUMBER MILL AND IMMOVABLE PROPERTY

ON

FARM VLUCHTHOEK 568 LT

DRAFTED BY:

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6 June 2019

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(Ref: JS/cvr/BB4278)

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A. VALUATION CERTIFICATE (Page 1 – 8):

VALUATION CERTIFICATE

1. GENERAL:

1.1 Instruction: To determine a fair market value of the lumber mill on the farm PORTION 0 OF THE FARM VLUCHTHOEK 568 LT, inclusive of all the improvements and goodwill if the lumber mill is sold as a going concern (hereinafter referred to as the subject property).

1.2 Definition: Market Value: The definition of "Market Value" as laid down by the International Valuation Standards Committee is: "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion"

1.3 Inspection Date: 17 April 2019

1.4 Valuation Date: 6 June 2019

2. METHOD OF VALUATION:

The market value for the subject property and lumber mill was valued in the following manner:

2.1 Net income capitalisation method:
The applicable method of valuation for the enterprise is the net income capitalisation method, in that no comparable sales for a lumber mill could be found. This method determines the net normalised annual income of the property, where market related operating expenses are incurred and set off, resulting in a net annual income which is then capitalised at a market related rate. The capitalisation rate is determined from the market and is influenced in general by: rates of return of similar ventures, risk, obsolescence, inflation, market rental growth rates, rates of return on other investments, as well as mortgage rates. In determining the rate of capitalisation we have taken the following into account:

a. Condition of the improvements;
b. Current state of economy;
c. Demand experienced;
d. Expenses;
e. Exposure;
f. Market analysis;
g. Risk.

No comparable sales for similar ventures could be traced in the Letaba district and therefore cap rate could only be calculated on the factors as mentioned above.

2.1.1 Selection of the capitalisation rate:
There is no magic formula for the selection or development of the cap rate. Conceptually, the capitalization rate is the opportunity cost of money to the most likely buyers or owners of the subject property. The rate reflects that yield which could be obtained on a comparable investment by the most likely buyer or owner if he were not to invest in the lumber mill venture, but in the next best opportunity.

In addition to the determined capitalized value, adjustments may be made to allow for a fine homestead, a congenial neighbourhood, and natural advantages such as beautiful scenery. Adjustments may be made by adding money values to the income capitalized value or raising or lowering the capitalization rate to allow for features that either detract from the subject property or enhance it.

The capitalization rate should reflect the current and competitive market as determined by the conservative yet informed judgments of the typical buyers or investors in the lumber mill. The appraiser's job is to select that rate which will reflect the amount that the typical prudent buyer or investor will pay for the right to receive the income stream.

Assuming all other factors equal, a low capitalization rate is acceptable in the following instances:

a. When the subject property is a business with a low risk, high profit and a ready market for its product.

b. When the subject property is located in one of the better land areas and when the number of buildings and improvements that will have to be maintained are new or few in number, relatively simple, or both. (A higher rate is required when the property is below average in productivity, difficult to run or to manage).

The capitalisation rate is best determined by referring to present economics in the Letaba area. It is clear that an investor will receive a good return if invest in the subject property as there is a high demand for the product delivered by the subject property and therefore a cap rate of 9% is applicable, in that there is a high demand and the business is well run and the improvements are in a reasonable condition. Presently in South Africa there is a huge housing need and the Government do make serious efforts to provide housing and therefore there is a ready and growing market for timber products. There is also enough product in the area, as there are various timber farms in the vicinity and little opposition for the subject property.

2.2 As the improvements on the subject property do not cover the full extent of the farm, the remainder of the subject property was valued by the comparison method by comparing it with similar properties, which were sold in the vicinity of Tzaneen to establish a fair and reasonable market value for the property. Normally a prospective purchaser is not likely to pay more for a particular property than the price at which he can buy a comparable substitute property which satisfies his requirements equally well.

The same reasoning applies in the market valuation process. A valuer must take his cue from the prices being obtained in the open market for properties which can be regarded as reasonable substitutes for the one being valued. He can then compare those with similar features in order to obtain a realistic pointer to the value of the subject property. Market value is thus the amount an informed willing buyer would be likely to pay an informed willing seller in the open market.

It has been established by the Courts in actions involving market value disputes that comparable transactions afford a sound basis for arriving at a satisfactory guide in determining market value, and has been readily accepted as a sound valuation principle. See Minister of Water Affairs v Mostert 1966 4 SA 690 (A) 723F and Estate Marks v Pretoria City Council 1969 3 SA 227 (A) 253H-254B.

2.3 Goodwill: Goodwill is a type of intangible asset – that is to say, as asset that is non-physical, and is often difficult to value. Along with goodwill, these types of assets can include intellectual property, brand names, location and a host of other factors. Goodwill refers to a premium over the fair market value of a company that a purchaser pays, and this premium can often be attributed to intangible items like reputation, future growth, brand recognition, or human capital. It is the portion of a business's value that cannot be attributed to other business assets. The methods of calculating goodwill can all be used to justify the market value of a business that is greater than the accounting value on a company's books. While there are many different ways to calculate goodwill, income-based methods are the most common. Keep in mind that goodwill exists only when a buyer pays more for an asset than the asset is worth, not before.

In the study by the South African Accounting Association, it was confirmed that goodwill is an asset since investors perceive goodwill to reflect future economic benefits and it is confirmed that goodwill should be recognised as an asset since investors recognise that goodwill reflects future economic benefits (R Jennings – Journal of Business, Finance and Accounting, 23(4) 513 – 533).

Further that goodwill is defined in the fourth edition of the Halsbury Law of England as:

"The goodwill of a business is the whole advantage of the reputation and connection with customers together with the circumstances, whether of habit or otherwise, which tend to make that connection permanent. It represents in connection with any business or business product the value of the attraction to the customers which the name and reputation possess."

3. TITLE DEED INFORMATION:

3.1	Title deed number:	T16843/2001
3.2	Registered description:	Farm: Portion 0 of the farm Vluchthoek Number: 568 Reg Division: IR Province: Limpopo
3.3	Extent:	17,0448 hectares
3.4	Registered owner:	Selati Hardware 1963 (Pty) Ltd Nr. 1963/000758/07
3.5	Bonds:	B26681/13 – R5,000 000.00 – 19 June 2013

3.6 Servitudes:

According to the title deed, the following servitudes are applicable to the subject property:

- A servitude of irrigation.
- The owner is responsible for maintenance at his own cost of an effective firebreak of around the lumber mill.
- The State President may reposes the property at the initial cost/hectare the first owner acquired it for, in case of a cancellation of the long term forestry contract.
- The State has right of way to surrounding properties.
- No building may be erected without the consent of the Department of Forestry.
- The owner must enclose the property according to prescribed methods.

- The mineral rights are vested in the State.
- The sole use of the property is that of a lumber mill unless the Premier approves otherwise.

4. STATUARY INFOMRATION:

4.1	Province:	Limpopo
4.2	Local government:	Greater Tzaneen Local Municipality
4.3	Zoning:	Agricultural.

5. LOCATION AND SERVICES:

5.1 The subject property is located approximately 15km from Tzaneen, accessible via Magoebaskloof road. The property is approximately 75km from Polokwane and 375km from Gauteng. The road infrastructure from Tzaneen to Gauteng is good.

5.2 Tzaneen is the second largest town in Limpopo Province and is situated at the foot of the Wolkberg Mountains. The Letaba district is the centre for subtropical agriculture and winter vegetables and it produces the majority of the country's mangos, avocados and contributes substantially to the total production of timber citrus and litchis. All necessary services such as primary and secondary schools, hospital, private hospital, SAPS, churches, railway and all major banks and chain stores are available in Tzaneen.

5.3 Electricity: Eskom – 3 phase. All infrastructure is connected to the electrical grid.

5.4 Water: There are two equipped boreholes on the property and Magoebaskloof is known to be a water rich area.

5.5 Tzaneen is an agriculture town, with excellent facilities for the packing and processing of citrus, mangos, macadamias and other cultivars and as Tzaneen is one of the biggest towns in the Limpopo province and with a many farms under timber, there is a market for a lumber mill.

5.6 Railway and local transport available to markets.

6. DEVELOPMENT AND IMPROVEMENTS:

Buildings and improvements may play a minor role or make up a larger portion of the property's total value. They may be obsolete or contain the most up to date technological innovations and equipment. The usefulness of the improvements could depend on the managerial ability and lead to a significant proportion of the business ventures' income – but this does not necessarily enhance the value of the building and improvements itself.

The cost of a new building or machinery seldom adds the equivalent cash value to the property. The improvements on the subject property contribute more to the lumber mill operation than to the market value of the property. Several values may therefore be ascribed to improvements on the subject property.

A valuer may, therefore be required to consider abstract as well as concrete aspects, use subjective as well as quantitative judgement and include some of the following questions when valuing the buildings/improvements on the subject property:

- Was the buildings/improvements properly designed?
- Does the buildings/improvements fit into the current trends and technologies of the business enterprise?
- Are the buildings/improvements complemented by the other resources on the business in conjunction with which it will be used?
- Is the building/improvements suitably located?
- Can the building/improvements be justified economically and have a meaningful remaining economical life?
- How does the building/improvements contribute to the market value of the property?
- Does the building/improvements contribute significantly to the present enterprise and can it be used for other purposes?
- Would the building/improvements be rebuilt if it was destroyed and would it be reproduced or replaced?

The valuer must also take note of the following definitions when valuing the subject property:

6.1 Physical Depreciation: The deterioration as a result of the physical wear and tear commensurate with the usage and age of the asset.

6.2 Functional Depreciation: The improvement may no longer serve a useful purpose through the creation of new needs, in that the deterioration of the replacement asset is technically superior and more cost efficient in terms of maintenance costs or the value decline because of its inadequacy to satisfy the useful purpose it was assigned to.

6.3 Economic obsolescence: Deterioration as a result of diminishing productivity or a change in the economic environment, rezoning, drifting of population or other factors which make the product no longer sought after.

7. IMPROVEMENTS:

The main activity on the subject property is a fully operational lumber mill supplying wood to the building industry, such as roof timbers with the necessary admin offices, supplemented by 11 residential homes on the property, as well as quarters for labourers which are all occupied by employees. There is also a 9000 litre diesel tank.

7.1 Accommodation improvements on subject property

Personnel are accommodated in 11 dwellings and hostels on the premises. The dwellings are described as follows:

- House 1, ±65m² in extent, with brick walls under pitched iron roof and accommodating 2 bedrooms, bathroom, kitchen, lounge.
- House 2 is a wooden structure under a pitched iron roof and ±72m² in extent with ±42m² stoep area. Accommodation is 2 bedrooms with 1 bathroom and open plan lounge/dining room and kitchen. It has a double carport of ±28m².

- House 3 is a wooden structure under a pitched iron roof of ±117m² in extent. Stoep areas comprise ±20m². Outbuildings comprise of a ±33m² garage and ±35m² double carports.
- House 4 is a plastered brick strcture under a pitched iron roof and ±165m² in extent with ±45m² stoep areas. Accommodation is 4 bedrooms, 2 bathrooms, lounge, dining room and kitchen. Outbuildings comprise of a single garage and store room of ±40m² and a carport of ±24m².
- House 5 comprises a plastered brick construction under a flat iron roof and ±170m² in extent. The garage of ±47m² is part of the main structure.
- House 6 is an asbestos construction with asbestos roof and ±125m² in extent and a double carport of ±32m².
- House 7 is also a complete asbestos construction of ±140m², accommodating 4 bedrooms, 2 bathrooms, with a lounge, sunroom and kitchen. The double carport is ±42m² in extent.
- House 8 is an asbestos construction under Harvey tiled roof and ±114m² in extent. It accommodates 3 bedrooms, 2 bathrooms, lounge dining room, kitchen and pantry. Outbuilding is an iron cladded store of ±40m².
- House 9 is a facebrick construction under tiled roof and ±180m² in extent. It accommodates 4 bedrooms, 2 bathrooms, lounge/dining room, kitchen with laundry. A double garage of ±36m² forms part of the main structure and a rondavel of ±18m² completes the outbuildings.
- House 10 is a brick/asbestos construction under an IBR roof and ±183m² in extent. An iron cladded garage of ±27m² and carport of ±34m² completes the outbuildings.
- House 11 is a painted brick construction under an iron pitched roof, ±203m² in extent and a ±128m² stoep area. It accommodates 4 bedrooms, 2 bathrooms, lounge/dining room and kitchen. The outbuildings comprise a double garage, store room and double carport ±60m² in extent.

The staff quarters are developed around a sports field and are divided into rooms.

The structures of the hostels are brick walling under iron roofing. The total extent of the hostels is ±1933m² with ±208m² ablution facilities and a hall of ±150m² used for schooling.

The staff quarters are presently in a neglected condition, in that it is dirty and not well-maintained, but nothing that a new coat of paint and minimal repair works can fix. The residential houses are older houses, but are neat and well-maintained by the residents and compares well with similar housing in town and on other farms.

7.2 <u>Production improvements on the subject property</u>:

The following building accommodate the production machinery:

- New wet saw mill, ±698m² in extent and constructed of steel frame with iron cladding.
- Stacking bays, ±240m² in extent and partly under iron roof.
- Chipper, previous hogger, ±9m² in extent, covered with iron cladding.
- Fuel Bin, a hexagon metal construction, ±100m² in extent.
- Boiler room, iron cladded, ±435m² in extent with concrete floor.
- Garage with flat iron roof on wooden poles, ±46m² in extent.
- Incinerator that is in a poor state of repair.
- Workshop of brick under iron roof, ±226m² in extent.
- Power house of 15m high brick walling under iron roof, ±144m² in extent.
- Compressor room, ±40m² in extent, a wooden structure under iron roof with concrete floor.

- 5 Kilns of ±244m² ea (total extent ±1222m²) constructed of concrete wall and roof. 1 Kiln has been converted into a Destacker line.
- Conditioning shed, constructed of steel structure under iron roof, ±943m² in extent.
- Trimming Mill, ±1500m² in extent, iron cladding on steel structure under iron roof.
- Warehouse, a wood and steel structure under iron roofing, ±2210m² in extent.
- Sales office of wood and IBR roofing, ±22m² in extent.
- Spare store, steel structure under iron roof, ±178m² in extent.
- Ablution facilities, 12 toilets, 2 basins and 1 urinal, constructed of plastered brick under iron roof, ±40m².
- Fire station and dam. The station is ±24m² in extent and the dam has a diameter of ±20m² and is ± 1.5 m high.
- Wood shed of wooden structure under iron roof, ±572m² in extent.
- Saw shop with ablutions, ±97m² in extent and constructed of brick walls under flat iron roof with concrete floor.
- Administration office, ±375m² in extent accommodating 5 offices, kitchen areas, 2 toilets. Constructed of plastered brick under pitch iron roof with steel windows, wood and tiled flooring with Herculite and pine ceilings and equipped with 5 air conditioners and a walk-in safe.

The building structures are older, but seems of solid construction and the machinery are well-maintained and fully operational.

7.3 90% of the improvements are functional and practical. Clearly an older sawmill, which is still operating at its full potential, with reasonable maintenance.

7.4 Electricity: Eskom, 3 phase. All improvements are connected to the electricity grid.

7.5 Fencing: The property is poorly fenced.

8. TRANSPORT FACILITIES:

Transport costs is an important component of any business venture and therefore the location of the subject property in relation to the market and marketing area is important. The subject property is reasonably accessible for road transport via the R71. A gravel road in a reasonable condition links the subject properties with the R71. Tzaneen also has railway facilities.

9. ACCESS AND EGRESS:

Access and egress to the subject property and its internal structures must be easy and sufficient to maximize the business venture's maximum potential. Access must be also possible in all climate conditions. The access and egress to the subject property is reasonable, but might prove difficult in heavy rain.

10. CONTAMINATED LAND

'Contaminated' means the presence in or under any land, site buildings or structures of a substance or microorganism above the concentration which is normally present in or under that land, and which substances directly or indirectly affect or may affect the quality of soil or the environment adversely.

No tests were done for contamination, but on observation no serious contamination were noted, except for normal oil spills which is associated with a workshop.

11. STRUCTURAL DEFECTS

Structural defect means any defect in a structural element of a building that is attributable to defective or faulty design, workmanship and materials or adverse soil conditions (or any combination of these).

No structural inspection was held and on face value, no structural defects were noticed. Although the buildings are old, it seems that construction is solid.

12. LAYOUT OF FARM:

A farm next to the R71 in the form of a bowtie and with very steep slopes.

13. SOIL:

No soil tests were done, but neighbouring farms are doing exceptionally well with forestry, avos and bananas and the area is known to be predominantly Hutton. Drainage is good and the soil depth has at least 50cm to 1 meter. No noticeable erosion.

14. TOPOGRAPHY:

The subject property is mostly covered with steep inclines and slopes.

15. RAINFALL AND CLIMATE:

The subject property is located in the Limpopo Province which is predominantly a summer rainfall area. The average rainfall for the area is 800mm – 1200mm per year. The average daily summer temperature is between 25°C and 35°C and the average daily winter temperature is between 3°C and 20°C. This is a no frost area, but hailstorms do occur irregularly. The climate is very suitable for forestry, avos and banana farming.

16. GRAZING AND VEGETATION:

Not applicable.

17. LAND CLAIMS:

Land claims were registered in the Magoebaskloof area. Unfortunately no feedback were received from the Land Claims Commissioner's office, but on inspection and information received, there is no land claim registered against the subject property.

18. LOCAL AUTHORITY AND MUNICIPAL VALUATION:

The subject property resorts under the local authority of Tzaneen Municipality and the Municipal value of the property is R4,700 000.00 in 2017.

19. VALUE FORMING CHARACTERISTICS OF THE SUBJECT PROPERTY:

Some of the most important value forming characteristics the subject property are the following:

19.1 Location: The subject property's location is good, in that it is close to the R71, being the main link between Tzaneen and Polokwane. The subject property is approximately 15km from Tzaneen CBD and 80km from Polokwane. Labour force are readily available. The subject property is surrounded by timber farms and therefore product for the venture is readily available.

19.2 Water: There is enough water available on the subject property for the lumber mill and residential tenants and Magoebaskloof is known to be a water rich area.

19.3 Use of the farm: The owner has full title to the property.

19.4 Infrastructure: The whole enterprise presents an image of a well-run and functioning lumber mill and although the infrastructure are older, it remains practical and to the benefit of the subject property.

19.5 Market: The market is hungry for wood products and there is a huge demand in the housing sector which brings a demand for the product manufactured by the subject property.

19.6 Product: The subject property is located in an area where timber farming is practiced and therefore the product is easily available at minimum transport costs.

20. NEGATIVES OF THE SUBJECT PROPERTY:

An older lumber mill and maintenance and improvement of the buildings might be necessary in future.

21. POTENTIAL AND HIGHEST AND BEST USE:

The highest and best use refers to the highest potential in terms of value that the property can achieve with due cognisance been taken of the local authority rights, restrictions and regulations, if applicable, as well as the general use of properties in the surrounding area.

The best potential for the subject property remains that of a lumber mill, in that the property is already developed for this venture. The property is shaped in the form of a bowtie on steep hills and if farming is considered, the lumber mill occupies most of the level ground and costs to demolish and remove the lumber mill will out weight any possible farming venture. The only other possible potential is if the lumber mill is closed down, is to rent the houses to tenants as well as the labour accommodation for an income, but the income will be far less that can be generated by the lumber mill and therefore the lumber mill remains the best and highest potential for the subject property.

22. MARKET RESEARCH:

There were no other lumber mills sold in the vicinity, but market research were still conducted to find comparable properties for land value which were sold in the vicinity and the following are taken into consideration:

- Adjustments due to the difference in quality and condition of improvements;
- Adjustments due to the difference in size;
- Adjustments due to the difference in desirability;
- Adjustments due to the difference in location;
- Adjustments due to the difference in date of sale.

The subject property was compared with various other properties which were sold in the vicinity recently.

22.1 Comparable Properties:

22.1.1 Comparable property 1: Portion 4 of the farm Onderhoek 595 LT:
This property of 8.118 ha was sold on 20/09/2016 for R270 000.00 with an average price of R33 259.42 per ha. A farm that straggle the R71 with steep hills and bush, no improvements.

22.1.2 Comparable property 2: Portion 12 of the farm Diepkloof 592 LT:
This property of 8.5653 ha was sold on 18/01/2017 for R600 000.00 with an average price of R70 050.08 per ha. A farm with a house and outbuildings, no farming.

22.1.3 Comparable property 3: Portion 4 of the farm Vlughthoek 587 LT:
This property of 46.5683 ha was sold on 02/10/2017 for R4,200 000.00 with an average price of R90 190.10 per ha. A property improved with two residential houses, outbuildings and timber and an outbuilding that is rented as a factory.

22.1.4 Comparable property 4: Portion 4 of the farm Franschhoek 593 LT:
This property of 16.415 ha was sold on 07/12/2017 for R3,500 000.00 with an average price of R213 219.61 per ha. A farm improved with a house, various outbuildings, approximately 2 hectares of avos, remainder bush.

22.1.5 Comparable property 5: Portion 19 of the farm Franschhoek 593 LT:
This property of 11.4144 ha was sold on 16/02/2018 for R3,000 000.00 with an average price of R262 825.90 per ha. An unimproved farm with 2 hectares of avos, remainder bush.

22.1.6 Comparable property 6: Portion 25 of the farm Franschhoek 593 LT:
This property of 7.9123 ha was sold on 16/02/2018 for R3,000 000.00 with an average price of R379 156.50 per ha. A farm improved with a house and outbuildings, approximately 2 hectares of avos, remainder of farm bush.

22.2 Conclusion on market value of the subject properties:

From the comparable properties, it is clear that most of the recent sales are small income producing farms and unfortunately there are no records of uncultivated farms that were sold recently except comparable property 1, which has steep hills and no improvements, which sold for approximately R33 259.42 per hectare and comparable property 2, which is only improved with a house, which sold for approximately R70 508.00 per hectare. It can then be deducted that uncultivated farmlands in Magoebaskloof sells for approximately middle R30 000.00's to R70 000.00 per hectare as per comparable property 1 and 2. As comparable property 1 was already sold in 2016, the price must be adjusted upwards. Comparable property 2 was sold in 2017, but is improved with a house and therefore the price must be adjusted downwards. It is thus not unreasonable to value uncultivated farmland in Magoebaskloof between R40 000.00 and R60 000.00 per hectare.

23. ASSESSMENT OF VALUE:

The following were taken into consideration when the value of the subject property was calculated:

- The subject property is a commercial lumber mill in full production.
- Research could not find any other lumber mills which were sold recently and therefore there is no comparables. Thus only the land value was comparable.
- The improvements and machinery on the subject property were not valued separately as they form part of the business that produce the income and will be sold as a going concern.
- Most of the improvements are older, but still in a solid working condition and on inspection, the lumber mill was operating fluently.
- The value of all the improvements will be determined by the income method, plus the market value of the unimproved land, as well as goodwill.
- The residential houses on the subject property is occupied by employees of the subject property at a minimum rent of R100.00 per month. There is potential for higher rent, as rental properties is in high demand in the Tzaneen area and therefore higher average rent is calculated at R4 000.00 per month per house, which is still below the average in Tzaneen, but consideration is given that similar residential houses are renting on the farms on the outskirts of Tzaneen between R4 000.00 and R10 000.00 per month.
- Value of the remainder of the unimproved land.
- The demand present and in future for the product manufactured by the subject property.
- The subject property is many years in operation and although there is a bigger lumber mill closer to Polokwane, opposition for the subject property is minimal.
- Value must be added for the goodwill and potential of a growing market, which normally accounts to 10% to 20% of the income stream and as there are no close opposition, the goodwill is calculated at 15% with regard that the improvements are on the older side.
- That the immovable improvements are older but still of sound construction, the machinery is well maintained and therefore physical depreciation do not reduce the value of the subject property significantly.
- Functional depreciation is not applicable in that although the immovable improvements are aged, it remains practical and the machinery are updated and well maintained.

- There is not economic obsolescence, in that there is a market for the product presently and in future.
- Transport facility to the subject property is readily available and access and egress to the property is reasonable.
- No contaminated land or serious structural defects were noticed.

24. CALCULATION OF INCOME PRODUCING PROPERTY:

24.1 Income stream:

The average nett income, as advised by the principle are approximately R7,000 000.00 per year:

Yearly nett income:	R 7,000 000.00
Less yearly expenditures:	
• Fixed Municipal expenditures	R 132 000.00
• Insurance:	R 636 000.00
• Audit:	R 50 000.00
• Maintenance: 5% of Netto	R 350 000.00
Subtotal:	R 1,168 000.00
INCOME:	R 7,000 000.00
Less Expenditures	R 1,168 000.00
TOTAL:	**R 5,832 000.00**

CAPITALISED VALUE:

R5,832 000.00 x $\frac{100}{9}$ = **R64,800 000.00**

24.2 Value of unimproved land not occupied by the lumber mill and residential area:

The remainder of the farm is approximately 7 hectares and therefore 7 ha at R50 000.00 per hectare = **R350 000.00**.

Capitalised valued –	R64,800 000.00
Plus unimproved land –	R 350 000.00
Plus Rent: 11 houses per year @ R4 000.00 per month	R 528 000.00
SUB-TOTAL:	R65,678 000.00
Plus goodwill: 15%	R 9,851 700.00
TOTAL:	R75,529 700.00
ROUNDED TO:	**R75,500 000.00**

25. MARKET VALUE:

This valuation is made on assumption that information received from third parties are true and correct.

I hereby certify that the following amounts are the price which the items will realize if brought to a voluntary sale between a willing seller and willing buyer.

I hereby certify that the amount of **R75,500 000.00** is the price which subject property will realize if brought to a voluntary sale between a willing seller and willing buyer.

26. CAVEATS:

This valuation report has been made with the following general assumptions and as per specific instruction as received from the principal:

a. Title to the property is assumed to be good and marketable unless otherwise stated.

b. The property is valued free and clear of any or all liens or encumbrances unless otherwise stated.

c. The information furnished by others is believed to be reliable. However no warranty is given for its accuracy.

d. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

e. It is assumed that there is full compliance with all applicable environmental regulations and laws unless non-compliance is stated, defined and considered in the valuation report.

f. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-compliance is stated, defined and considered in the valuation report.

g. It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

h. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespassing unless noted in this report.

i. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the valuer, and in any event only with proper written qualification and only in its entirety.

j. The valuer herein by reason of this valuation is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

k. Neither all nor part of the contents of this report (especially conclusions as the value, the identity of the valuer, or the firm with which the valuer is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the valuer.

l. Neither the whole nor any part of this valuation report or certificate or any reference thereto may be included in any published document, circular or statement, or published in any way without the valuer's written approval of the form and context in which it may appear. The publication shall deem to include references in company accounts and/or directors reports or any other company statement or circular.

m. The valuation is prepared on the basis that full disclosure of all information and facts which may affect the valuation, has been made to the valuer and no liability or responsibility will be accepted whatsoever for the valuation unless such full disclosure has been made.

n. This valuation is solely for the use of the party to whom it is addressed in accordance with the instructions. Reliance on it by any third party cannot be regarded as reasonable and no responsibility to any third party is or will be accepted for the whole or any part of the valuation.

o. The valuer has no personal interest in the property.

p. In the unlikely event of the client incurring any losses due to negligence of the valuers, valuers in training and assistants, the aggregate amount of the damages recoverable against the valuer shall not exceed the fee for providing the service.

q. All areas quoted within the valuation report have been provided by you by standard method of measurement.

r. All boundaries have been provided by you and any variation of these boundaries by extension or omission, and the resultant inclusion or omission of any improvements as a result of this or these variations, cannot therefore be regarded as the responsibility of the valuer.

s. The property has been valued in its existing state. In the event of its ownership or use changing in such a manner that the local authority will require the upgrading of the premises to comply with fire protection and other regulations, it may be necessary to reduce the valuation by the amount of covering the cost of such compliance.

t. We have had regard to the apparent state and condition of the property but have not carried out a structural survey, nor inspected those areas which were covered, unexposed or inaccessible, neither have we arranged for the testing of electrical, heating or other services. The valuation assumes that the services and structures are in a satisfactory state of repair and condition, unless otherwise stated in our report. The valuation further assumes that the improvements have been erected in accordance with the relevant Building and Town Planning Regulations as well as the Local Authority by-laws.

u. We have not inspected woodwork or other parts of the structure, and we are therefore unable to repost that such parts of the property are free from rot, beetle or other defects.

v. We have assumed that no deleterious or hazardous materials or techniques were used in the construction of the property nor have since been incorporated.

w. We have not carried out any soil or substratum tests on the property and we have assumed that the property is suitable for the purpose for which it would be put without having to provide excessive reinforcement to any structure built thereon.

VALUATED AT **TZANEEN** ON THIS **6th** DAY OF **JUNE 2019.**

…………………………	…………………………
JOHAN STEYN	**ERNST KAPP**
CANDIDATE VALUATOR	**PROFESSIONAL VALUATOR**
REG. NO: 6128	

CERTIFICATE OF VALUE

I, the undersigned, **JOHAN STEYN**, registered as a Candidate Valuer with the South African Institute of Valuers with Registration number **6128**, hereby declare that I have visited and inspected the property and verified the particulars set out in this valuation. I also hereby declare that I valued the property at the best of my knowledge and skills, based on market research and information available to me.

In my professional opinion I consider the market value of:

The properties described as:

PORTION 0 OF THE FARM VLUCHTHOEK 568 LT

on the date of valuation, at

R75,500 000.00

Signed at TZANEEN on this 6th day of JUNE 2019.

....

JOHAN STEYN
CANDIDATE VALUATOR
REG. NO: 6128

....

ERNST KARP
PROFESSIONAL VALUATOR

SEËLREG
STAMP DUTY R2 ~~400~~-00
FOOI
FEES R500-00

Routledge-Modise
6th Floor Twin Towers West
Sandton City
Sandton 2196

Prepared by me

CONVEYANCER
GREGORY MG

BC 005164/10
GEKANSELLEER
CANCELLED
REGISTRATEUR/REGISTRAR
02 02 10

VERBIND MORTGAGED
VIR
FOR R 1000 000-00
B 12867/2001
26 02 2001
REGISTRATEUR/REGISTRAR

T 000016843/2001

DEED OF TRANSFER

BE IT HEREBY MADE KNOWN THAT:

7

~~JEANNE PATRICIA THOMAS~~ BRIAN CAREY BEHRENS

appeared before me, REGISTRAR OF DEEDS at PRETORIA, he the said Appearer being duly authorised thereto by a Power of Attorney signed at JOHANNESBURG on 17 JANUARY 2001 and granted to him by:-

MONDI LIMITED
No. 1967/013038/06

ENDOSSEMENTE KYK
ENDORSEMENTS SEE

ESTELLE
NASIEN
03/06

And the Appearer declared that his said principal had truly and legally sold and that he, the said Appearer, in his capacity aforesaid, did, by these presents, cede and transfer, to and on behalf of:

* **SELATI HARDWARE 1963 (PROPRIETARY) LIMITED**
No. 1963/000758/07

its Successors in Title or assigns, in full and free property

FARM VLUCHTHOEK 568, Registration Division L.T., NORTHERN PROVINCE;

MEASURING 17,0448 (SEVENTEEN COMMA ZERO FOUR FOUR EIGHT) Hectares

FIRST REGISTERED by Certificate of Consolidated Title T13773/1982 with Diagram SG No. A2120/81 annexed and HELD BY Deed of Transfer No T7212/90

SUBJECT to the following conditions:

A. THE former Portion 14 (a portion of Portion 2) of the farm VLUCHTHOEK 587, registration division L.T. Transvaal, indicated by the figure EFTE on diagram S.G. No. A2120/81 and the former Portion 15 (a portion of Portion 2) of the farm VLUCHTHOEK 587, registration division L.T. Transvaal, indicated by the figure ABCDSRA on diagram S.G. No. A2120/81 are subject to the following condition:

Die eiendom hieronder gehou is geregtig tot 'n serwituut van waterleiding met bestaande watervoor oor gedeeltes 10, 11, 12 en 13 (synde gedeeltes van Gedeelte B) van die plaas VLUCHTHOEK No. 306, districk LETABA, soos aangedui op Verdelingskaart Nos. A2859/53, A7953/55, A7954/55 en A2862/53 geheg aan Verdelingstransporte Nrs. 22809/1957, 22810/1957, 22811/1957 en 22812/1957 respektiewelik.

And the Appearer declared that his said principal had truly and legally sold and that he, the said Appearer, in his capacity aforesaid, did, by these presents, cede and transfer, to and on behalf of:

* **SELATI HARDWARE 1963 (PROPRIETARY) LIMITED**
No. 1963/000758/07

its Successors in Title or assigns, in full and free property

FARM VLUCHTHOEK 568, Registration Division L.T., NORTHERN PROVINCE;

Agriculture

MEASURING 17,0448 (SEVENTEEN COMMA ZERO FOUR FOUR EIGHT) Hectares

FIRST REGISTERED by Certificate of Consolidated Title T13773/1982 with Diagram SG No. A2120/81 annexed and HELD BY Deed of Transfer No T7212/90

SUBJECT to the following conditions:

A. THE former Portion 14 (a portion of Portion 2) of the farm VLUCHTHOEK 587, registration division L.T. Transvaal, indicated by the figure EFTE on diagram S.G. No. A2120/81 and the former Portion 15 (a portion of Portion 2) of the farm VLUCHTHOEK 587, registration division L.T. Transvaal, indicated by the figure ABCDSRA on diagram S.G. No. A2120/81 are subject to the following condition:

Die eiendom hieronder gehou is geregtig tot 'n serwituut van waterleiding met bestaande watervoor oor gedeeltes 10, 11, 12 en 13 (synde gedeeltes van Gedeelte B) van die plaas VLUCHTHOEK No. 306, districk LETABA, soos aangedui op Verdelingskaart Nos. A2859/53, A7953/55, A7954/55 en A2862/53 geheg aan Verdelingstransporte Nrs. 22809/1957, 22810/1957, 22811/1957 en 22812/1957 respektiewelik.

B. THE former Portion 3 (a portion of Portion 1, called NIAGARA) of the farm LUX MUNDI No 549, registration division L.T.Transvaal, indicated by the figure GHJKLMG on diagram S.G. No. A2120/81 is subject to the following conditions:

(a) The owner is responsible for the maintenance, at his own cost, of an effective firebreak around the sawmill site, comprising such breadth as may be prescribed by the Secretary for Forestry.

(b) THE State President retains the right at all times to resume the whole of the property held hereunder at the same price per hectare as that which the purchaser paid therefore in the event of the cancellation of the long term timber contract granted to the purchaser, his successors-in-title or assigns.

(c) THE State retains the right of way over the property in order to have access to the adjoining State forest.

(d) NO buildings or structures shall be erected on the property by the owner without the prior consent of the Department of Forestry.

(e) THE owner shall fence the property at his expense to the satisfaction of the Department of Forestry and shall maintain such fences to that departments' satisfaction.

(f) IN the event of the resumption of the land by the State President:

(i) the State shall have the right to take over any structures and improvements on the land which may be of value to the Department of Forestry at a valuation placed thereon by the Department of Agricultural Credit and Land Tenure and the owner shall remove all his movable assets and those structures and improvements not being taken over by the State within a period of six (6) months from the date of the resumption of the property, failing which the owner shall forfeit any claim to such assets, structures and improvements and the State shall have the right either to confiscate assets for its benefit or else to remove or have those assets removed from the property and recover the costs incurred from the owner.

(ii) the owner shall within a period of six (6) months from the date of resumption and to the satisfaction of the Department of Forestry:

(1) remove from the property all sawdust and wood-waste or burn same on the property;

(2) remove from the property all litter, waste, pieces of concrete above ground and other remaining material which in the opinion of the Department of Forestry, constitute a nuisance, spoil the environment or spoil the property;

(3) fill up all the excavations on the property;

and failing to remedy any of the aforementioned matters to the satisfaction of the Department of Forestry the Department shall be entitled to have these matters rectified and recover the cost from the owner.

(g) ALL rights to precious stones, precious metals, base minerals and natural oils as defined in the Mining Rights Act 1967 (Act No.20 of 1967) shall be reserved to the State.

(h) THE condition imposed in terms of Section 11(6) of Act No 21 of 1940 that except with the written approval of the Administrator as the controlling authority as defined in the aforementioned Act, the land shall be used exclusively for the purposes of a sawmill and purposes relating thereto.

AND SUBJECT FURTHER to such conditions as are mentioned or referred to in the aforesaid Deed/s.

WHEREFORE the Appearer, renouncing all right and title which the said:-

MONDI LIMITED

heretofore had to the premises, did in consequence also acknowledge it to be entirely dispossessed of, and disentitled to the same, and that by virtue of these presents, the said:-

SELATI HARDWARE 1963 (PROPRIETARY) LIMITED

its Successors in Title or Assigns, now is and henceforth shall be entitled thereto, conformably to local custom, the State, however reserving its rights, and finally acknowledging the purchase price to be the sum of R1 482 000,00 (ONE MILLION FOUR HUNDRED AND EIGHTY TWO THOUSAND RANDS) and the date of sale to be 19 December 2000.

IN WITNESS WHEREOF, I the said Registrar, together with the Appearer q.q., have subscribed to these presents and have caused the Seal of Office to be affixed thereto.

THUS DONE AND EXECUTED at the Office of the Registrar of Deeds at Pretoria on 26 02 2001

q.q.

In my presence

REGISTRAR OF DEEDS

T 16843/2001

B 38277/2001

VERBIND
MORTGAGED

vir
for R 700 000,00

Akteskantoor
Deeds Office

Registrateur
Registrar

01-06-2001

Reg 68(1)

BC026247 10

GEKANSELLEER
CANCELLED

REGISTRATEUR/REGISTRAR

13 05 10

BC 40120/13

GEKANSELLEER
CANCELLED

REGISTRATEUR/REGISTRAR

19 06 13

VERBIND MORTGAGED

VIR
FOR R 4 000 000,00

B 019435/10

13 05 10

REGISTRATEUR/REGISTRAR

THE CORRECT NAME OF THE COMPANY Transferee

GEWYSIG INGEVOLGE ART. 4 (1) (b) VAN WET 47 VAN 1937 OM TE LEES.

AMENDED IN TERMS OF SECTION 4 (1) (b) OF ACT 47 OF 1937 TO READ.

SELATI HARDEWARE 1963 EIENDOMS BEPERK

Reg No: 1963/000758/07

40119/13

BC

19 06 13

REGISTRATEUR/REGISTRAR

VIR ENDOSSEMENTE SIEN BLADSY
FOR ENDORSEMENTS SEE PAGE 7

T16243/2007

VERBIND MORTGAGED

VIR
FOR R 500 000.00

B 26681 13

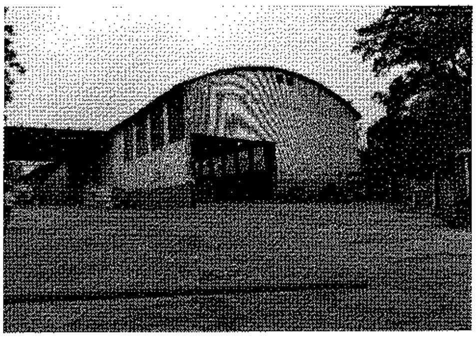
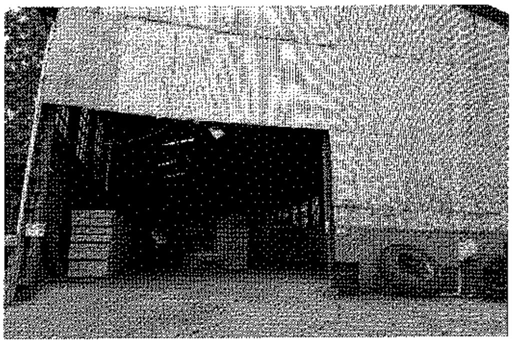
19 06 13

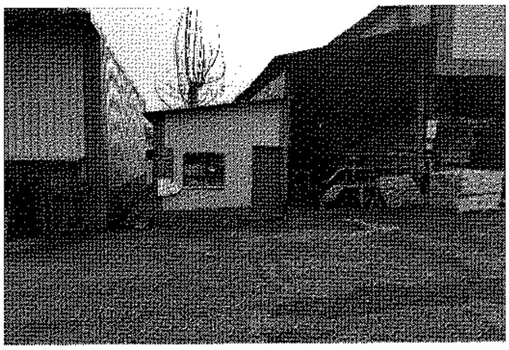
REGISTRATEUR/REGISTRAR

PHOTOGRAPHS OF SUBJECT PROPERTY

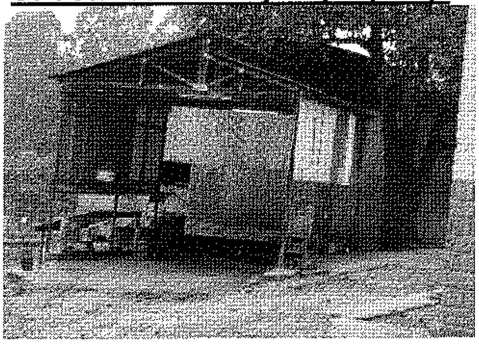
Structures on subject property:

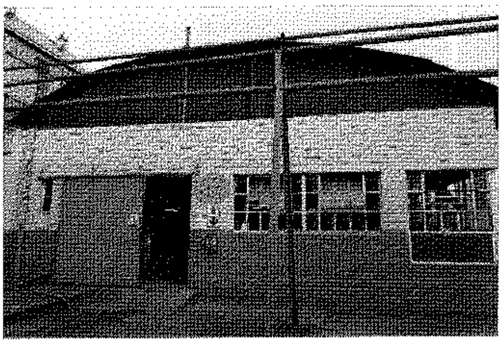


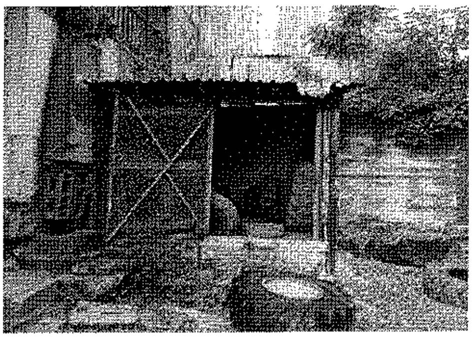





Structures on subject property:







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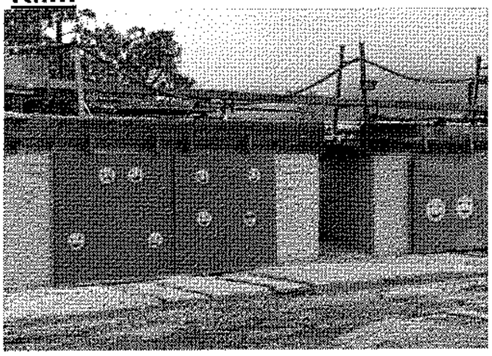
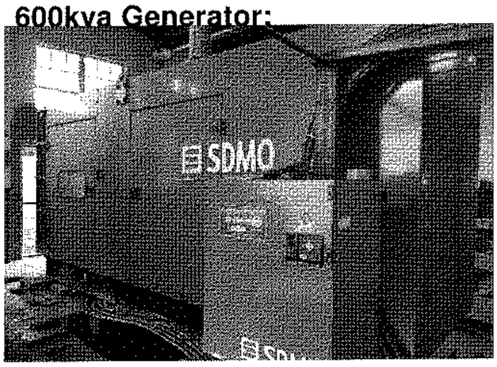
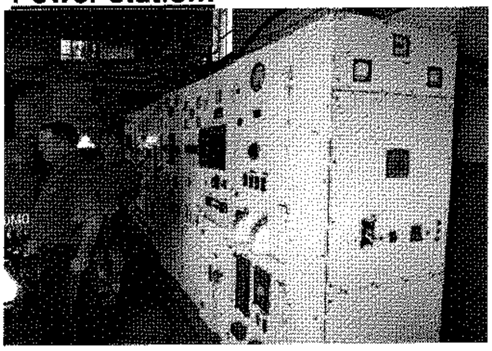


600kva Generator:

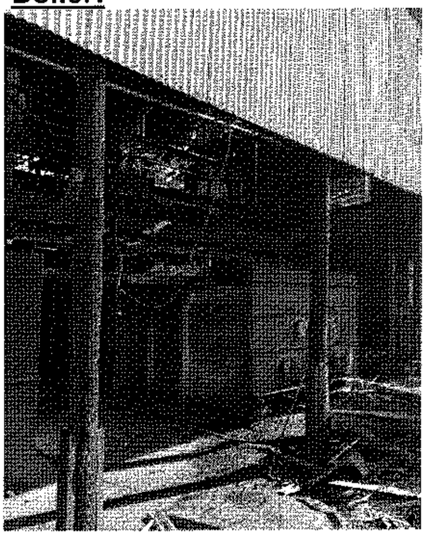


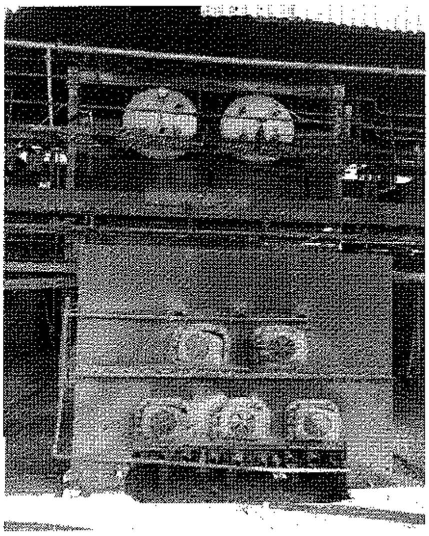
Power station:



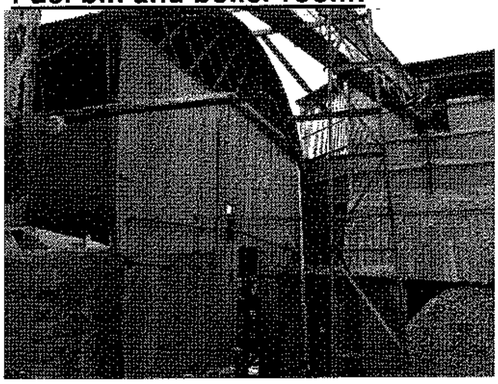
Old Steam Engine:

Boiler:

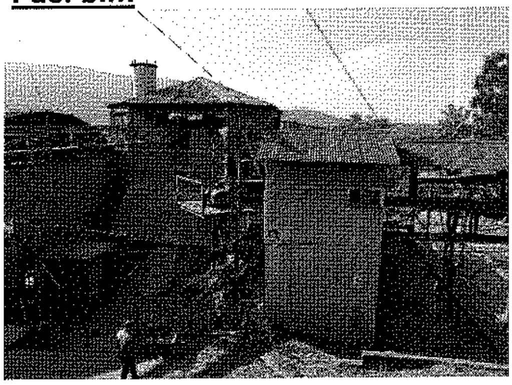




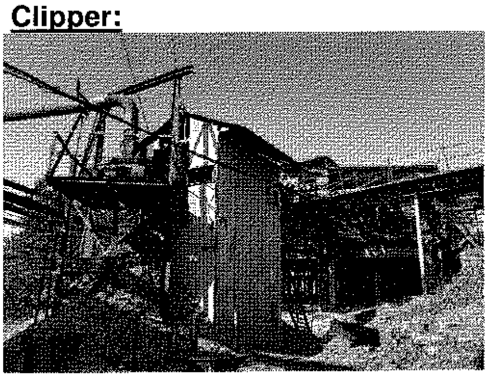
Fuel bin and boiler room:



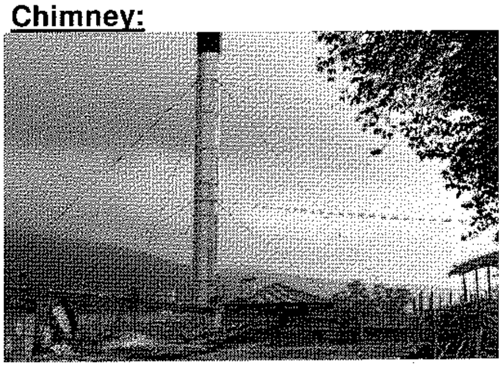
Fuel bin:



Clipper:

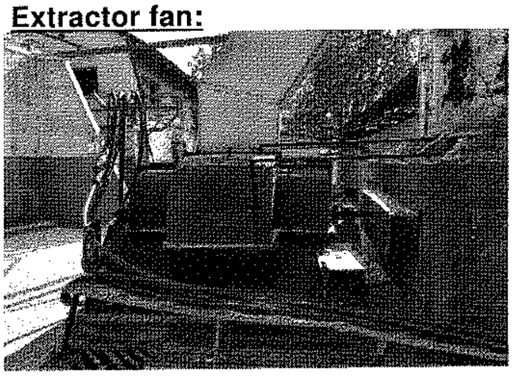


Chimney:

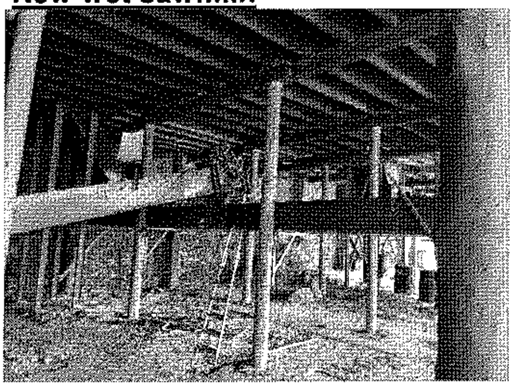


Chimney:

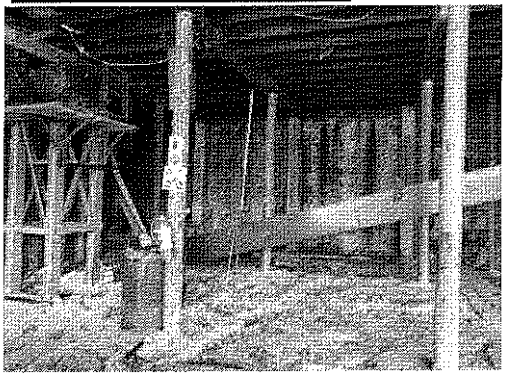
Extractor fan:



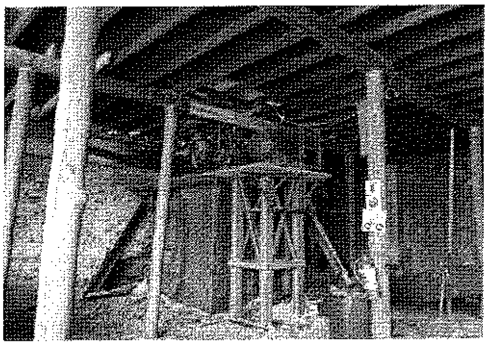
New wet sawmill:



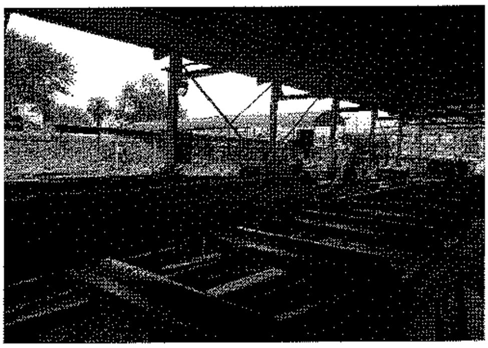
Area under wet sawmill:

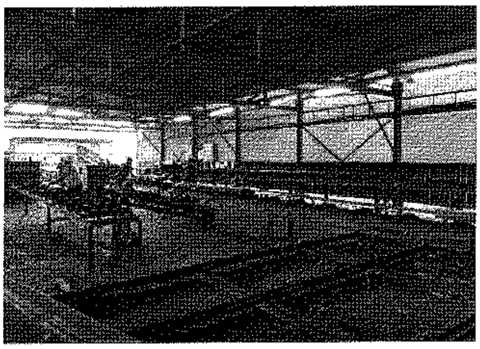


Area under wet sawmill:



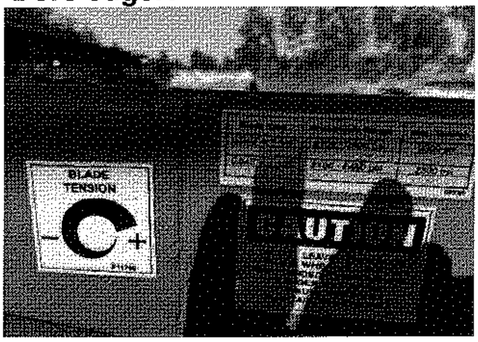
Wet sawmill:



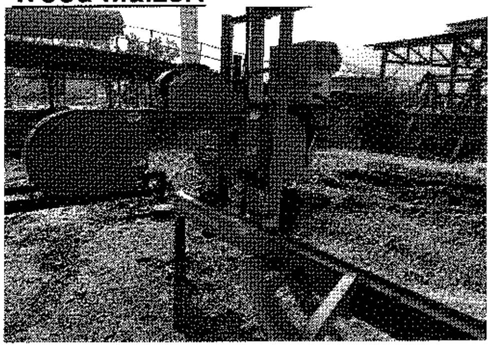


Bore edger - wet sawmill:

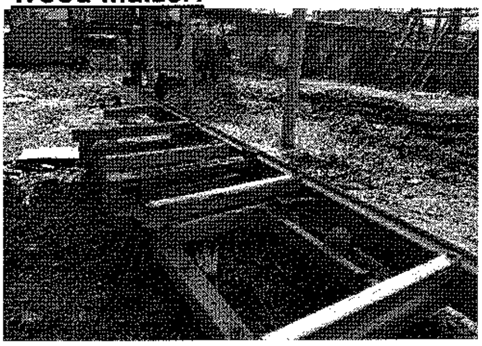
Bore edger:

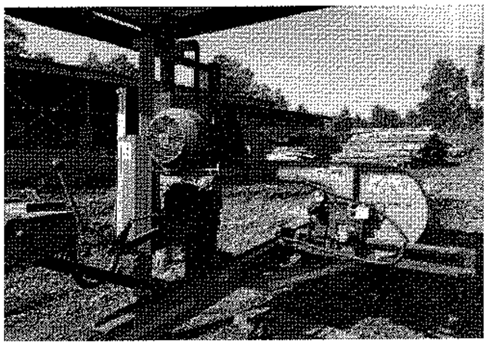


Wood maizer:



Wood maizer:

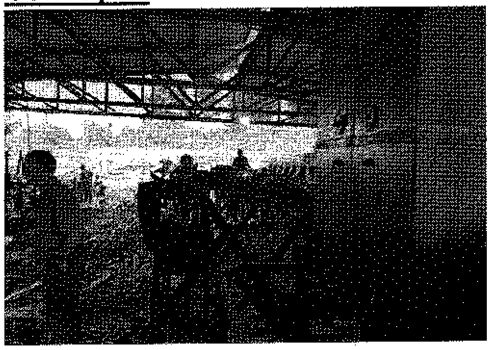




Green chain:

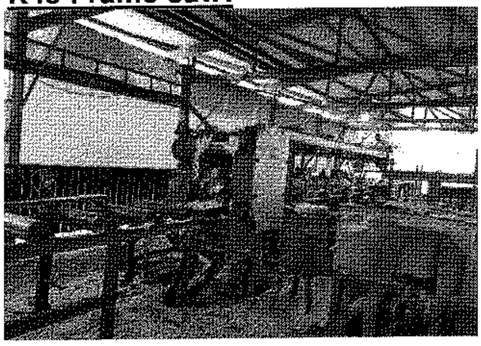
Chain conveyor:

Conveyor:

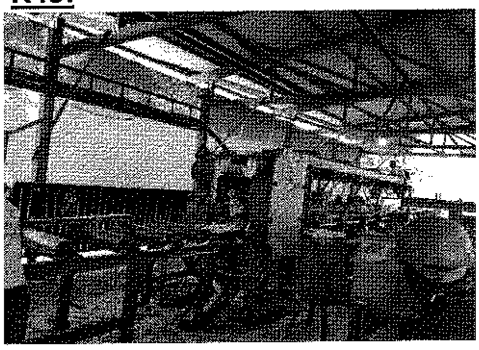


Conveyor:

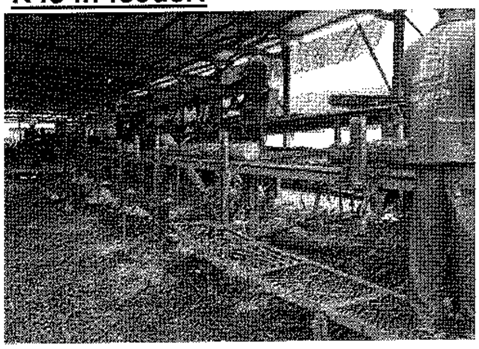
K45 Frame saw:



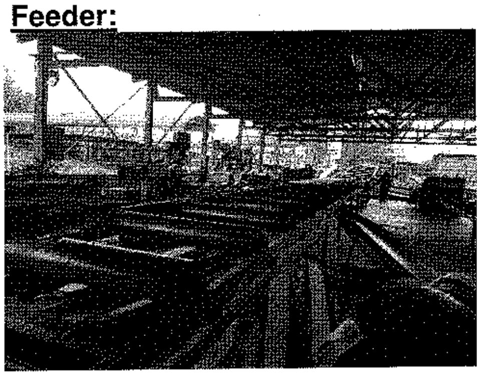
K45:

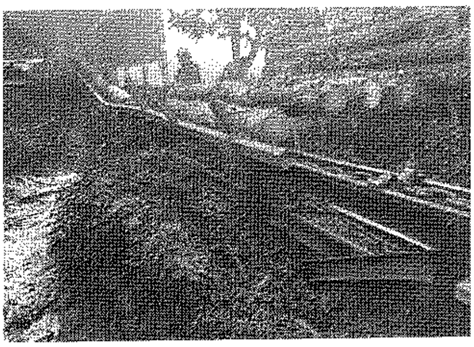


K45 in feeder:



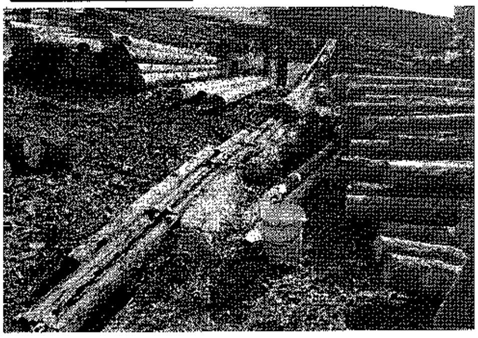
Feeder:



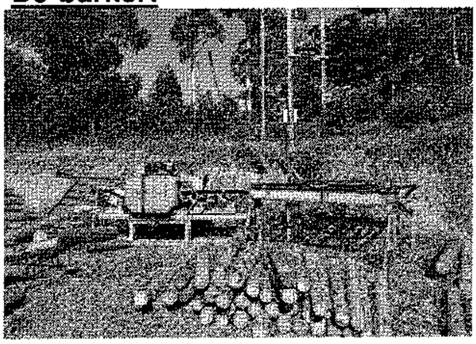


US Grote frame saw:

US in feeder:



De-barker:



REPLACEMENT COSTS OF THE IMPROVEMENTS ON PORTION 0 OF THE FARM VLUCHTHOEK 568 LT

AND REPLACEMENT COSTS OF MACHINERY, MOTOR VEHICLES OF SELATI HARDWARE 1963 (Pty) Ltd WHICH IS USED ON THE SAID PROPERTY

REPLACEMENT COST OF ACCOMMODATION IMPROVEMENTS					
DESCRIPTION	**M²**	**REPLACEMENT VALUE**		**AMOUNT**	
House 1	65	R	7 500.00	R	487 500.00
House 2	142	R	7 500.00	R	1 065 000.00
House 3	170	R	7 500.00	R	1 275 000.00
House 4	274	R	7 500.00	R	2 055 000.00
House 5	217	R	7 500.00	R	1 627 500.00
House 6	157	R	7 500.00	R	1 177 500.00
House 7	182	R	7 500.00	R	1 365 000.00
House 8	154	R	7 500.00	R	1 155 000.00
House 9	234	R	7 500.00	R	1 755 000.00
House 10	244	R	7 500.00	R	1 830 000.00
House 11	391	R	7 500.00	R	2 932 500.00
Staff quarters	1933	R	7 500.00	R	14 497 500.00
Staff hall	150	R	6 500.00	R	975 000.00
TOTAL:				**R**	**32 197 500.00**

REPLACEMENT COST OF OPERATIONAL BUILDING IMPROVEMENTS					
DESCRIPTION	**M²**	**REPLACEMENT VALUE**		**AMOUNT**	
Wet mill	698	R	7 500.00	R	5 235 000.00
Stacking bays & Green chain	600	R	7 500.00	R	4 500 000.00
Chipper	9	R	7 500.00	R	67 500.00
Fuel bin	100	R	7 500.00	R	750 000.00
Boiler room	435	R	7 500.00	R	3 262 500.00
Vehicle maintenance workshop	272	R	7 500.00	R	2 040 000.00
Power house	144	R	7 500.00	R	1 080 000.00
Compressor room	40	R	7 500.00	R	300 000.00
Kilns x5	1222	R	7 500.00	R	9 165 000.00
Cooling shed	943	R	7 500.00	R	7 072 500.00
Dry mill	1500	R	7 500.00	R	11 250 000.00
Despatch	2210	R	7 500.00	R	16 575 000.00
Sales office	22	R	7 500.00	R	165 000.00
Maintenance workshop	178	R	7 500.00	R	1 335 000.00
Ablution facilities	40	R	7 500.00	R	300 000.00
Fire station & dam	45	R	7 500.00	R	337 500.00
Saw shop	97	R	7 500.00	R	727 500.00
Administration office	375	R	7 500.00	R	2 812 500.00
Concrete roads, paveways & rails	3500	R	7 500.00	R	19 250 000.00
7000L Bulk Diesel tank	1	R	7 500.00	R	55 000.00
TOTAL:				**R**	**86 280 000.00**

REPLACEMENT COST OF MACHINERY IMPROVEMENTS			
DESCRIPTION	**QUANTITY**	**REPLACEMENT VALUE PER UNIT**	**AMOUNT**
Electrical connections to all	1	R 5 500 000.00	R 5 500 000.00
Conveyors & motors to all	1	R 3 750 000.00	R 3 750 000.00
Dust & waste extracting installation	1	R 850 000.00	R 850 000.00
Steel feeds and crossovers to all	1	R 4 750 000.00	R 4 750 000.00
Compressor & air piping	1	R 750 000.00	R 750 000.00
Strapping machines	2	R 125 000.00	R 250 000.00
Trimming table	1	R 650 000.00	R 650 000.00
K45 with infeed	1	R 1 850 000.00	R 1 850 000.00
USV with infeed	1	R 3 250 000.00	R 3 250 000.00
Boardedgers with lazers	3	R 650 000.00	R 1 950 000.00
Woodmizer	1	R 150 000.00	R 150 000.00
Wood chipper	1	R 350 000.00	R 350 000.00
Boiler	2	R 85 000 000.00	R 17 000 000.00
Steam radiators with fans & traps	64	R 125 000.00	R 8 000 000.00
Timber trollies	60	R 35 000.00	R 2 100 000.00
Hydrolic destacker	1	R 450 000.00	R 450 000.00
Raimann optimizer	1	R 7 500 000.00	R 7 500 000.00
Lodimark fingerjointing	1	R 45 000 000.00	R 4 500 000.00
Top & bottom planer	1	R 5 500 000.00	R 550 000.00
Rip saw	1	R 450 000.00	R 450 000.00
Opticut	1	R 650 000.00	R 650 000.00
Wood shredder	1	R 500 000.00	R 500 000.00
Woodmizer	1	R 150 000.00	R 150 000.00
Sawblades resharpening	4	R 75 000.00	R 300 000.00
Generator	1	R 850 000.00	R 850 000.00
Administration office's PC's & furniture	1	R 450 000.00	R 450 000.00
TOTAL:			**R 67 500 000.00**

REPLACEMENT COST OF MOTOR VEHICLES			
DESCRIPTION	**QUANTITY**	**REPLACEMENT VALUE PER UNIT**	**AMOUNT**
Logger	4	R 750 000.00	R 3 000 000.00
Sideloader	2	R 1 250 000.00	R 2 500 000.00
Tractor	3	R 350 000.00	R 1 050 000.00
TLB loader	1	R 1 250 000.00	R 1 250 000.00
Skidder	1	R 1 850 000.00	R 1 850 000.00
Bakkie	2	R 450 000.00	R 900 000.00
Delivery truck	1	R 750 000.00	R 750 000.00
Log truck	1	R 950 000.00	R 950 000.00
TOTAL:			**R 12 250 000.00**