EXCHANGE SPONSORS
PROJECTS

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The Directors
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3 September 2020

Dear Sir

FAIR AND REASONABLE OPINION IN TERMS OF SECTION 114 OF THE ACT, AS READ WITH REGULATIONS 90 AND 110 OF THE COMPANIES REGULATIONS

Introduction and proposed transaction

Unicorn Capital Partners Limited ("Unicorn") board of directors has received a firm intention from Afrimat Limited ("Afrimat") ("the Firm Intention") to acquire the entire issued ordinary share capital of Unicorn not already held by Afrimat, or treasury shares held by subsidiaries of Unicorn ("treasury shares"), by way of a scheme of arrangement in terms of Section 114 of the Companies Act, 71 of 2008 ("the Act") ("the Offer").

In terms of the firm intention, Afrimat proposes to acquire the shares not already held by Afrimat in consideration for the issue of new listed Afrimat ordinary shares, at a ratio of one new Afrimat share for every 280 Unicorn shares not already held by Afrimat or treasury shares, with no cash alternative ("Offer Consideration").

Scope

A scheme of arrangement is an affected transaction as defined in Section 117(1) (c) of the Act. In terms of Sections 114(2) of the Act, as read with the Companies Regulations, 2011 ("Companies Regulations") 90 and 110 of the Companies Regulations, Unicorn is required to retain an independent expert to provide an independent expert report in terms of Section 114(3) of the Act and Regulations 90 and 110 of the Companies Regulations (the "Fair and Reasonable Opinion" or "Opinion")

Exchange Sponsors Projects (Pty) Ltd ("Exchange Sponsors") has been appointed by the Independent Board of Unicorn as the Independent Expert to advise on whether the terms and conditions of the Offer are fair and reasonable to the shareholders of Unicorn.

Responsibility

Compliance with the Act and the Companies Regulations is the responsibility of the Independent Board. Our responsibility is to report to the Independent Board on whether the terms and conditions of the Offer and the Offer Consideration are fair and reasonable to Unicorn Shareholders.

Definition of the terms "fair" and "reasonable"

The "fairness" of a transaction is primarily based on quantitative issues. A transaction will generally be said to be fair to a Company's shareholders if the benefits received, as a result of the transaction, are equal to or greater than the value given up. The Offer may be said to be fair to the Shareholders if the Offer Consideration is equal to or greater than the fair value of a Unicorn Share, or unfair if the Offer Consideration is less than the fair value of a Unicorn Share. Furthermore, in terms of Regulation 110(8) of the Companies Regulations, an offer with a consideration per offeree regulated company security within the fair-value range is generally considered to be fair.

The assessment of reasonableness of the Offer is generally based on qualitative considerations surrounding the transaction. In terms of Regulation 110 (9) an offer with an offer consideration per regulated company security above the offeree regulated company's traded security price at the time the offer consideration per security was announced, or at some other more appropriate identifiable time, is generally considered to be reasonable.

Unicorn

Sources of information

In arriving at our Opinion, we have relied upon the following principal sources of information:

- the Firm Intention letter;
- terms and conditions of the Offer, as set out in the Circular;
- the integrated annual report of Unicorn and annual financial statements of its subsidiaries for the financial years ended 30 June 2019, 30 June 2018 and 30 June 2017;
- unaudited interim results of Unicorn and its subsidiaries for the six months ended 31 December 2019;
- management accounts of Unicorn and its subsidiaries as at 30 June 2020;

- Independent Competent Persons' Report on Unicorn Partners Limited's Nkomati Anthracite Mine, South Africa prepared by Tenement Mining dated 7 December 2019 ("CPR");
- Mine financial model relating to Nkomati Anthracite Mine prepared by management dated June 2020;
- discussions with the Unicorn directors and management and/or their advisors regarding the Offer;
- discussions with Unicorn directors and management regarding the historical financial information of Unicorn;
- discussions with the previous financial director and/or the Independent Board of Unicorn on prevailing market, economic, legal and other conditions which may affect underlying value;
- publicly available information relating to the industry in which Unicorn operates in general; and
- publicly available information relating to Unicorn that we deemed to be relevant, including Unicorn announcements and media articles.

The information above was secured from:

- Unicorn directors and management; and
- third-party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Unicorn.

Procedures

In arriving at our Opinion, we have undertaken the following procedures and taken into account the following factors in evaluating the Offer:

- reviewed the terms and conditions of the Firm Intention letter;
- analysed and reviewed all relevant financial information as set out above;
- performed such other studies and analyses as we deemed appropriate and have considered our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the industry in which Unicorn operates;
- held discussions with Unicorn executive directors regarding the past business performance and operations and historic financial performance of Unicorn;
- held discussions with the previous financial director and/or the Independent Board of Unicorn regarding the current and past business performance and operations, regulatory requirements, financial conditions of Unicorn, the

potential impact of the Covid-19 pandemic on business operations and such other matters as we have deemed relevant to our inquiry;

- determined the fair value of Unicorn by applying appropriate generally accepted valuation approaches and methods in use in the market from time to time in order to derive the fair value of a Unicorn Share. A sum-of-the–parts valuation of Unicorn was performed by valuing each of the business entities separately;
- evaluated the relative risks associated with Unicorn and the industry in which it operates;
- considered the long-term prospects of Unicorn;
- reviewed certain publicly available information relating to Unicorn and the industry in which it operates that we deemed to be relevant, including announcements and media articles;
- where relevant, representations made by Unicorn directors and management were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Unicorn operates, and to analyse external factors that could influence the business of Unicorn;
- the key internal value drivers for the three companies that operate in the industrial markets being; JEF Drill and Blast (Pty) Ltd, Richie Crane Hire (Pty) Ltd and the Geosearch Group (“three industrial companies”), including revenue growth, operating margins and operational leverage. A 1% change in the EBITDA of the three industrial companies over the valuation period will result in a change in the Unicorn value of 1.41%, which would not change our valuation range and opinion below; and
- the key internal drivers for Nkomati Anthracite mine (“Nkomati”) is selling price per ton of anthracite. A 1% increase in the selling price will result in a 9,9% increase in the Unicorn valuation and a 1% decrease in selling price will result in a 10.4% decrease in the Unicorn valuation. A 1% increase in the discount rate will result in a 15.3% increase in the Unicorn value and a 1% decrease in the discount rate result in a 16.3% decrease in the Unicorn value. The valuation sensitivities have also been affected by the large debt levels at Nkomati and Unicorn group level. These sensitivities have been taken into account in our valuation resulting in such a wide valuation range.

Valuation Approach

We have performed a sum-of-the-parts valuation of Unicorn, by valuing each of the business entities separately. We were not able to perform a valuation at group level as Unicorn is an investment company with businesses that operate in different industries and have different valuation characteristics and risks.

For the three industrial companies' valuations have been performed using the PE ratio method and EV/EBITDA method. This involved identifying comparable listed peers, applying appropriate discounts to the valuation multiples of these peers, to take into account size and tradeability and multiplying the weighted adjusted EV/EBITDA multiple and weighted adjusted PE ratio with the results of the previous year to 30 June 2019 (FY19) and the year to 30 June 2020 (FY20). The results for FY19 and FY20 were adjusted to take into account once off and non-recurring events, the main item being the exclusion of the loss-making Botswana operations from the results of Geosearch Group.

For the non-operating subsidiaries, only the estimated realisable net asset value was determined.

Two valuation approaches were used to value Nkomati , being the Market Approach (sales comparison) and an Income Approach (DCF valuation).

For the Nkomati valuation, substantial reliance was placed on the CPR and mine financial models prepared by management.

For the Market Approach, two recent transactions of anthracite mines were used as comparable transactions and adjusted for comparable coal reserves to obtain a valuation range. From this valuation range we deducted other assets and liabilities in Nkomati Anthracite (Pty) Limited ("Nkomati company") to determine the value attributable to Unicorn.

For the Income Approach, a DCF valuation of the mine was determined using a real discount rate. The real discount rate was determined with reference to the real implied rate of return of current price for comparable mining shares. From this valuation range we deducted the rehabilitation liabilities, other assets and liabilities in the Nkomati company to determine the value attributable to Unicorn.

The sum of the parts value of the various group companies was calculated and adjusted for assets and liabilities in Unicorn.

We determined a valuation range for Unicorn of between 10.6 cents per share and 23.1 cents per share, with a midpoint value of 17.0 cents per share.

Assumptions

We arrived at our Opinion based on the following assumptions:

- current economic, regulatory and market conditions will not change materially;
- Unicorn is not involved in any other material legal proceedings other than what has been disclosed in the integrated annual report for the year ended 30 June 2019 and Circular;

- there are no known undisclosed contingencies that could have a material effect on the value of Unicorn;
- that the Offer will have the legal, accounting and taxation consequences described in the Circular and discussions with, and materials furnished to us by representatives and advisers of Unicorn;
- that reliance can be placed on the financial information of Unicorn as set out above; and
- reliance on the assumptions in the information available made by Unicorn's representatives during the course of forming this Opinion.

Afrimat

Sources of information

In arriving at our Opinion, we have relied upon the following principal sources of information:

- the Firm Intention letter;
- terms and conditions of the Offer, as set out in the Circular;
- the integrated annual report of Afrimat for the financial years ended 29 February 2020 and 28 February 2019;
- unaudited interim results of Afrimat for the six months ended 31 August 2019;
- five-year forecast for Afrimat for the years ending 28 February 2025;
- Afrimat SENS announcement regarding the acquisition of Coza Mining (Pty) Ltd which owns three mining assets being Jenkins, Driehoekspan and Doornpan in the Northern Cape Province of South Africa, dated 17 August 2020;
- Technical report on the Iron Ore prospecting work on the farms Jenkins, Driehoekspan and Doornpan in the Northern Cape Province of South Africa dated 31 March 2013;
- discussions with the Afrimat directors and management and/or their advisors regarding the Offer;
- discussions with Afrimat directors and management regarding the historical financial information and five-year forecast of Afrimat;
- discussions with the Afrimat directors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
- publicly available information relating to the industry in which Afrimat operates in general; and
- publicly available information relating to Afrimat that we deemed to be relevant, including Afrimat announcements and media articles.

The information above was secured from:

- Afrimat directors and management; and
- third-party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Afrimat.

Procedures

In arriving at our Opinion, we have undertaken the following procedures and taken into account the following factors in evaluating the Offer:

- reviewed the terms and conditions of the Firm Intention letter;
- analysed and reviewed all relevant financial information as set out above;
- performed such other studies and analyses as we deemed appropriate and have considered our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the industry in which Afrimat operates;
- held discussions with Afrimat directors and management regarding the past and current business operations, regulatory requirements, financial conditions and prospects of Afrimat, the potential impact of the COVID-19 pandemic on business operations and such other matters as we have deemed relevant to our inquiry;
- determined the fair value of Afrimat by applying appropriate generally accepted valuation approaches and methods in use in the market from time to time in order to derive the fair value of an Afrimat Share. A DCF valuation of Afrimat was performed;
- evaluated the relative risks associated with Afrimat and the industry in which it operates;
- considered the long-term prospects of Afrimat;
- reviewed certain publicly available information relating to Afrimat and the industry in which it operates that we deemed to be relevant, including announcements and media articles; and
- where relevant, representations made by Afrimat directors and management were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Afrimat operates, and to analyse external factors that could influence the business of Afrimat.

Valuation Approach

In evaluating the Offer, we performed a DCF valuation of Afrimat based on management's five-year forecast for the years ending 28 February 2025.

The DCF valuation method discounts the stream of future free cash flows attributable to the business, at an appropriate discount rate. Free cash flows represent the cash, which Afrimat generates from its operating activities, after deducting taxation payable, working capital movements and capital expenditure. Interest received and paid, depreciation and dividends declared were excluded in determining free cash flows.

From these discounted cashflows the enterprise value for Afrimat was calculated and adjusted for cash and borrowings to calculate the equity value. A minority discount was not applied to the equity value as this report and opinion does not purport to cater for individual shareholders' positions but rather the general body of Unicorn shareholders who swap shares as minority shareholders in Unicorn for shares in Afrimat as minority shareholders.

We compared the DCF valuation with a PE ratio valuation to ensure the valuation range was comparable. The PE ratio method involved identifying comparable listed peers and multiplying the PE ratio with the results for the years to 28 February 2019 (FY19), 29 February 2020 (FY20) and the projection for year to 28 February 2021 (FY21).

The key internal value drivers for the business of Afrimat are as follows:

- South African GDP forecast and specifically growth in the construction industry;
- Iron ore price of $80/ton and the Dollar/ZAR exchange rate of R16.50 for these exports;
- Inflation rate of 5.4% and the impact on operating margins.

The critical DCF valuation assumptions were:

- Terminal growth rate: 4%;
- 5-year Revenue CAGR: 3.7%;
- Discount rate: 15%.

Sensitivity analyses were performed on the key assumptions in arriving at a value range per Afrimat share, excluding treasury shares, as set out below.

Value per share (cents)	Discount rate		
Terminal growth rate	**14%**	**15%**	**16%**
3%	3 848	3 219	2 991
4%	4 181	3 419	3 008
5%	4 604	3 658	3 025

Based on the above valuation range per Afrimat share and taking into account the Offer consideration of one new listed Afrimat ordinary share for every 280 Unicorn shares, the implied Unicorn share price is as follows:

Value per share (cents)	Discount rate		
Terminal growth rate	**14%**	**15%**	**16%**
3%	13.74	11.50	10.68
4%	14.93	12.21	10.74
5%	16.44	13.07	10.80

Assumptions

We arrived at our Opinion based on the following assumptions:

- current economic, regulatory and market conditions will not change materially;
- Afrimat is not involved in any other material legal proceedings other than what has been disclosed in the integrated annual report for the year to 29 February 2020 and Circular;
- there are no known undisclosed contingencies that could have a material effect on the value of Afrimat;
- that the Offer will have the legal, accounting and taxation consequences described in the Circular and discussions with, and materials furnished to us by representatives and advisers of Afrimat;
- that reliance can be placed on the financial information of Afrimat as set out above; and
- reliance on the assumptions in the information available made by Afrimat's representatives during the course of forming this Opinion.

Opinion

We determined a value range for Unicorn of between 10.6 cents per share and 23.1 cents per share, with a midpoint value of 17.0 cents per share. Our value range for Afrimat is between 3 008 cents per share and 4 181 cents per share with a midpoint value of 3 595 cents per share.

Our range of fair values for the shares of Unicorn and Afrimat calculates into a fair value swop ratio range of between 130 and 394 Unicorn shares for everyone one new listed Afrimat share, with a midpoint of 262 Unicorn shares for everyone one new listed Afrimat share.

Exchange Sponsors has considered the terms and conditions of the Offer and, based upon and subject to the conditions set out herein, we are of the opinion that the Offer consideration of one new listed Afrimat ordinary share for every 280 Unicorn shares is fair due to the swop ratio falling inside our swop value range for exchanging Unicorn shares for newly listed Afrimat shares.

In considering the reasonableness of the Offer we have reviewed the recent share price movements of Afrimat as follows:

	Afrimat share price (cents)	**Value traded R 'm**	**Implied Unicorn share price at 280 ratio (cents)**
21 July 2020 – day before firm intention announcement	3 200	-	11.43
30 day trading volume weighted average price up to 21 July 2020	3 131	92.3	11.18

We have further considered the following items:

- Liquidity and funding constraints of Unicorn;
- Unicorn's high debt levels;
- Funding required for Nkomati to commence underground mining and exploration of opencast mining;
- Afrimat is a large listed and well diversified mining company; and
- Afrimat shares are very liquid with trading in shares since 1 January 2020 in excess of R400 million.

Based on the qualitative considerations set out above, we are of the opinion that the terms and conditions of the Offer are reasonable in the circumstances.

Our Opinion is necessarily based upon the information available to us up to 18 August 2020, including financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals and consents required in connection with the Offer have been fulfilled or obtained. Accordingly, it should be understood that subsequent developments may affect this Opinion, which we are under no obligation to update, revise or re-affirm.

Limiting conditions

This Fair and Reasonable Opinion is provided in connection with and for the purposes of the Offer. It does not purport to cater for each individual Shareholder's perspective, but rather that of the general body of Shareholders. Should a Shareholder be in doubt as to what action to take, he or she should consult an independent adviser. Individual Shareholder's decisions regarding the Offer may be influenced by such Shareholder's circumstances and accordingly individual Shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the Offer.

We have relied upon and assumed the accuracy of the information provided to us in deriving our Opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our Opinion, whether in writing or obtained in discussion with Unicorn management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of Unicorn and Afrimat relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Unicorn or Afrimat will correspond to those projected. We have, however, compared the forecast financial information of Unicorn and Afrimat to past trends as well as discussing the assumptions inherent therein with Unicorn and Afrimat management.

We have also assumed that the Offer will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisers of Unicorn and Afrimat and we express no opinion on such consequences. Our Opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the Opinion, and we are under no obligation to update, review or re-affirm our Opinion based on such developments.

The scope of our appointment does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or value of a Unicorn Share. We do not express any view as to the price at which Shares may trade nor on the future value, financial performance or condition of Unicorn or Afrimat.

Independence, competence and fees

We confirm that neither we nor any person related to us (as contemplated in the Act) have a direct or indirect interest in the Unicorn Shares or the Offer, nor have had within the immediately preceding two years, any relationship as contemplated in section 114(2)(b) of the Act, and specifically declare, as required by Companies Regulations 90(6)(i) and 90(3)(a), that we are independent in relation to the Offer and will reasonably be perceived to be independent.

We also confirm that we have the necessary competence to provide the Fair and Reasonable Opinion and meet the criteria set out in section 114(2)(a) of the Companies Act.

Furthermore, we confirm that our professional fees of R 375 000 are not contingent upon the success of the Offer. Our fees are not payable in shares.

Consent

We hereby consent to the inclusion of this Fair and Reasonable Opinion, in whole or in part, and references thereto in the Circular and any other announcement or document pertaining to the Offer, in the form and context in which they appear.

Yours faithfully

Marius Meyer CA (SA)
Director

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