

KAP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1978/000181/06)

Share code: KAP

ISIN: ZAE000171963

Company Alpha Code: KAP

LEI code: 3789001F51BC0045FD42

("KAP" or "the Company")



MERGER OF THE SOUTHERN CAPE FORESTRY AND SAWMILLING BUSINESSES OF PG BISON SOUTHERN CAPE (PTY) LTD AND MTO FORESTRY (PTY) LTD (CATEGORY 2 DISPOSAL ANNOUNCEMENT)

1. INTRODUCTION

Shareholders are advised that on 29 October 2025 ("**Signature Date**"), PG Bison (Pty) Ltd ("**PGB**"), a wholly owned subsidiary of the Company, entered into a sale of shares and claims agreement ("**Disposal Agreement**") as part of a suite of inter-related agreements ("**Transaction Agreements**"), the implementation of which will effectively result in PGB merging its non-core forestry, sawmilling and pole operations in the Southern Cape, conducted by its wholly owned subsidiary PG Bison Southern Cape (Pty) Ltd ("**PGBSC**"), with the Southern and Eastern Cape forestry and sawmilling operations ("**MTO Cape Business**") of MTO Forestry (Pty) Ltd ("**MTO Forestry**") (hereinafter referred to as "**the Transaction**").

2. RATIONALE FOR THE TRANSACTION AND PGBSC DISPOSAL

- 2.1. The Southern and Eastern Cape regions have experienced devastating fires in recent years which have severely impacted the forestry and sawmilling sector in the region. The sector is therefore operating sub-optimally and, based on the extended growing cycle of forestry assets, it will take several years for operations to recover to pre-fire levels. As a consequence, the parties to the Transaction (listed in 3 below) have reduced investment into their respective business operations within the sector. Accordingly, the performance of the PGBSC operations have been adversely impacted and will continue to constrain PGBSC's earnings and returns for the foreseeable future.
- 2.2. The Transaction which combines the MTO Cape Business and the business operations of PGBSC will establish a significant black controlled entity in the forestry and sawmilling industry with increased production and reliability of sawlog supply, improved efficiencies and reduced costs, all of which should encourage further investment and enhance competitiveness.

3. PARTIES TO THE TRANSACTION

The following entities will be party to the Transaction:

- 3.1. PGBSC, a wholly owned subsidiary of PGB and the Company;
- 3.2. MTO Forestry, the issued shares of which are currently owned by the following entities:
 - 3.2.1. ASF Holdings Cayman Ltd, a limited liability private company duly incorporated in the Cayman Islands, the beneficial owners of which are not related parties of the Company;
 - 3.2.2. Wild Peach Investment Holdings (Pty) Ltd ("**WPI**"), the beneficial owners of which comprise various individuals and family trusts, none of which are related parties to the Company;
 - 3.2.3. South African Forestry Company SOC Ltd ("**Safcol**"), a state owned company which holds its MTO Forestry shares on behalf of communities. These shares will be transferred to MTO Community SPV (RF) (Pty) Ltd ("**MTO Community SPV**"), a ring-fenced company incorporated to hold shares in CFP (as defined below), and the shares in MTO Community SPV will be held by a community trust to be registered by Safcol; and
- 3.3. Cape Forests Products (Pty) Ltd ("**CFP**"), a newly incorporated company, specifically established by the parties for purposes of the Transaction.

4. PARTICULARS OF THE TRANSACTION AND PGBSC DISPOSAL

- 4.1. In terms of the Transaction, the parties will establish a more resilient and competitive, black controlled forestry and sawmilling group within the Southern and Eastern Cape, by merging the below business operations into the newly established CFP:
- 4.1.1. the business assets and operations of PGBSC, which owns and operates (i) c. 10 200 hectares of forestry plantations located in the Southern Cape; (ii) the Thesen Sawmill in George; and (iii) Woodline Poles located in Groot Brakrivier; and
 - 4.1.2. the MTO Cape Business (as detailed herein) operated by MTO Forestry, a company which focuses on the ownership and management of plantation forestry assets and related industrial operations. MTO Forestry will, as part of the Transaction, dispose of certain excluded business assets and operations ("**Excluded Assets Sale**") so as to only retain the MTO Cape Business, comprising (i) c. 31 700 hectares of leased forestry plantations located in the Southern and Eastern Cape; (ii) sawmills located in George and Longmore; and (iii) certain timber trading operations.
- 4.2. In terms of the Disposal Agreement, PGB will dispose of 100% of the shares in and loan claims against PGBSC ("**PGBSC Equity**") to CFP ("**PGBSC Disposal**"). The PGBSC Disposal will only be implemented after, *inter alia*, completion of the Excluded Assets Sale (discussed in 4.1.2 above). Following the Excluded Assets Sale:
- 4.2.1. CFP will own 100% of the shares in and loan claims against MTO Forestry ("**MTO Forestry Equity**"), which will house only the MTO Cape Business; and
 - 4.2.2. pursuant to the settlement of the purchase price in respect of the Excluded Assets Sale, 100% of the issued share capital of CFP will be held by WPI and the MTO Community SPV.
- 4.3. Following the implementation of the Transaction (including the PGBSC Disposal), PGBSC and MTO Forestry will be wholly-owned subsidiaries of CFP, which combined CFP group will house the MTO Cape Business and the business assets and operations of PGBSC. The issued share capital of CFP will be held as follows:
- 4.3.1. PGB as to 49.0%;
 - 4.3.2. WPI as to 28.1%; and
 - 4.3.3. MTO Community SPV as to 22.9%.

5. FINANCIAL INFORMATION

- 5.1. The Parties have agreed the valuations of the PGBSC Equity and the MTO Forestry Equity (post the Excluded Assets Sale) as at 30 June 2025, however, the final valuations and considerations payable by CFP in respect of the PGBSC Equity and the MTO Forestry Equity, shall be finally determined and adjusted in accordance with the methodology and formulae contained in the Transaction Agreements, as at the date on which the Transaction is effective ("**Effective Date**").
- 5.2. In terms of the Disposal Agreement, PGB will dispose of the PGBSC Equity to CFP for a consideration to be finally determined and adjusted in accordance with 5.1 above ("**Disposal Consideration**"). As at 30 June 2025, the Disposal Consideration amounts to R251 million.
- 5.3. The Disposal Consideration will be settled by CFP as follows:
- 5.3.1. by issuing ordinary shares to PGB, comprising 49% of the total issued share capital of CFP, in an amount of R124 million; and
 - 5.3.2. in respect of the balance of the Disposal Consideration, by:
 - 5.3.2.1 crediting loan accounts in favour of PGB (as proportionate and disproportionate shareholder loans); and
 - 5.3.2.2 issuing cumulative redeemable preference shares to PGB.

- 5.4. The value of the PGBSC Equity as at 30 June 2025, being the date of the last audited annual financial statements of PGBSC which were prepared in terms of IFRS, was R713 million.
- 5.5. Notwithstanding the Disposal Consideration being less than the value of the PGBSC Equity as per 5.4 above, it is anticipated that, following the Transaction, the derecognition by PGB of an investment in a subsidiary, PGBSC, and the recognition by PGB of an investment in an associate, CFP, will not have a material negative impact on the Company's profit and loss in terms of IFRS.
- 5.6. The Transaction will not result in any cash inflow or outflow for PGB or the Company.
- 5.7. The audited loss after tax attributable to the PGBSC Equity for the 12-month period ended 30 June 2025 was R18 million, based on the audited annual financial statements of PGBSC for the year ended 30 June 2025.

6. EFFECTIVE DATE OF THE TRANSACTION AND PGBSC DISPOSAL

- 6.1. The Transaction, including the PGBSC Disposal, will be effective on the first day of the month following the date on which the Conditions Precedent (as defined below) are fulfilled or waived, the last of which is expected to be the approval of the Transaction in accordance with the provisions of the Competition Act No 89 of 1998 ("**Competition Act**").
- 6.2. Subject to 6.1 above, the Effective Date of the Transaction is anticipated to be 1 April 2026.

7. CONDITIONS PRECEDENT

The Transaction is subject to the fulfilment or waiver (where applicable) of, *inter alia*, the following conditions precedent ("**Conditions Precedent**"), by no later than 15 March 2026, or such later date as the parties may agree in writing:

- 7.1. the remaining Transaction Agreements have become unconditional;
- 7.2. the implementation of the Transaction is approved in accordance with the provisions of the Competition Act, either unconditionally, or in the event of a conditional approval, on terms acceptable to the parties;
- 7.3. CFP securing the funding it requires to implement the Transaction and that such funding has become unconditional in accordance with its terms; and
- 7.4. between the Signature Date and the day preceding the Effective Date, no fire has occurred which results in any sawmill and/or pole plant owned by PGBSC being damaged or destroyed or 20% or more of all the timber situated on property owned or leased by PGBSC being damaged or destroyed.

8. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE DISPOSAL AGREEMENT

- 8.1. In terms of the Disposal Agreement, PGB gives to CFP representations and warranties in respect of PGBSC which are standard for a transaction of this nature.
- 8.2. It is further noted that the applicable Transaction Agreements contain similar representations and warranties in respect of MTO Forestry and the MTO Cape Business (as well as representations and warranties in respect of the Excluded Assets Sale), given by WPI and MTO Community SPV (jointly and severally) in favour of CFP, which are standard for a transaction of this nature.

9. CLASSIFICATION OF THE PGBSC DISPOSAL

The Disposal Consideration represents more than 5% but less than 30% of the Company's market capitalisation as at the Signature Date and accordingly the PGBSC Disposal constitutes a category 2 transaction in terms of the JSE Limited Listings Requirements.

Stellenbosch
29 October 2025

Equity and Debt Sponsor
PSG Capital

