
INDEPENDENT OPINION ON THE ACQUISITION

"7 September 2015
The Independent of Directors
Trustco Group Holdings Limited
2 Keller Street
Windhoek
Namibia

Dear Sirs/Madams

Fairness Opinion to the independent directors of Trustco Group Holdings Limited ("Trustco") concerning the proposed acquisition issue as defined by the JSE Listing Requirements whereby Trustco will acquire all the shares in Huso (Pty) Ltd and indirectly mining rights and a diamond cutting and polishing business from the related party and for a maximum price of N\$3 621 149 000 to be settled by the issue 772.1 million shares at an issue price of N\$4.69 per share to the related party ("acquisition issue").

INTRODUCTION

Shareholders are referred to the SENS announcements published on 2 February 2015, 22 June 2015 and 24 June 2015 in terms of which the Company advised shareholders, *inter alia*, of its intention to pursue opportunities in the resources sector and further that the Company has entered into an Option Agreement with Mr Quinton van Rooyen in terms of which the Company acquired an option to acquire the entire shareholding in Huso, of which Mr Quinton van Rooyen is the sole shareholder, via its wholly owned subsidiary, Trustco Resources.

Further to the publication of the announcements referred to above, shareholders are also referred to the SENS announcement published on 15 July 2015 in terms of which the Company advised that the Company has exercised the aforesaid Option and has consequentially entered into a Share Purchase Agreement with the Seller dated 14 July 2015 for the acquisition of the entire issued share capital of Huso.

Huso is the holding company of NNDC, a diamond mining and exploration entity in Namibia and Morse a diamond processing and polishing factory in Namibia.

The total purchase consideration payable by Trustco to the Seller in respect of the Acquisition, will be settled by way of an issuance of new Trustco shares by Trustco to the Seller.

Mr Quinton Van Rooyen is defined as a related party in terms of both Paragraph 10.1 (b)(i) and Paragraph 10.1 (b)(ii) of the JSE Limited Listings Requirements. In terms Paragraph 10.4 the independent board of directors must obtain a fairness opinion prepared in accordance with Schedule 5 of the JSE Limited Listing Requirements. Consequently the board is obtaining an opinion from an independent expert confirming that the acquisition and the related party share issues are fair insofar as shareholders of Trustco are concerned. Effortless Corporate Finance (Proprietary) Limited has been engaged by the independent directors of Trustco to prepare a Fairness Opinion in accordance with the Listings Requirements of the JSE. The Fairness Opinion will be included in the circular to shareholders.

The opinion is given to the Trustco independent directors for the sole purpose of assisting the independent directors in forming and expressing an opinion for the benefit of holders of shares in Trustco.

DEFINITION OF FAIRNESS

In terms of Schedule 5 of the JSE Listings Requirements fairness is primarily based on quantitative issues. For illustrative purposes, in the case of an acquisition settled by the issue of shares to a related party, the acquisition and the issue may be said to be fair if the value of shares issued to the related party is equal to or less than the value of the assets being acquired.

SOURCE DOCUMENTATION AND INFORMATION CONSIDERED

We have considered all the following information that is relevant to the value of the ordinary shares in Trustco and the value of the acquisition in formulating our opinion:

- information on Trustco and the acquisition, including the history, the nature of business, services, key customers, industry and competitors;
- SENS announcements and agreements relating to the acquisition issue of shares;
- share price, the volume of trading and other share trading statistics of Trustco and other listed investments on the JSE;
- the audited annual financial statements including the annual report of Trustco for the year ended 31 March 2014, 31 March 2013 and 31 March 2012;
- property valuations performed by registered property valuers;
- competent Person's Report on the mining assets that are the subject dated 10 June 2015;
- management budgets and forecasts;
- discussions with the executive directors of Trustco;
- the details relating to the acquisition issue of shares;
- discussions with directors of Trustco, including discussions regarding the rationale for and the perceived benefits to be obtained from the acquisition issue of shares; and
- operating costs and capital expenditure.

The key value drivers:

Internal:

- Portfolio spread: a larger portfolio across the various market sectors will serve to reduce the risk in the market. Based on the spread of the portfolio across the various sectors of the economy, this will serve to reduce the risk of the company.
- Management depth; The Company has a stable management and executive directors, with market and management experience that serves the Company well in the business environment.
- Financial history: allows for effective management. The management team is effective and the production of timely, detailed management reports contributes to managements proactive management of the business.

External:

- Competition: as per market demand/supply.
- Market defensibility: Being a significant player in market allows the Company to defend market share.
- Recurring revenue.
- Market trends: The Company is well placed to respond to market trends in the economy, with the management being receptive to these factors.
- Interest rate: The effect of changes in interest rate on the borrowings of the Company.

Assumptions of the valuation include:

- Historical trading was analysed and was used as a basis for testing the reasonability of forecasts.
- Margins and operating costs; a comparison of the historical vs the forecast was performed.
- Growth in revenue 66% in year one, reducing to 8.5%.
- Tax, at the corporate tax rate of 28%.
- Working capital, cash and capital expenditure requirements have been assumed to remain in line with historical trends.
- Growth in revenue for 2016 is in terms of the budgets and forecasts prepared by management and property valuers.

PROCEDURES

In arriving at our opinion, we have, *inter alia*:

- prepared valuations in accordance with generally accepted valuation approaches and methods. We have prepared the valuation of the major operating asset using a Discounted Cash Flow Model. As corroborating evidence we reviewed the reasonability of the PE ratio and the net asset value calculation in the annual financial statements,
- review of directors' valuations;
- review of the independent reports for both the Competent Person's Report and the property valuations performed by independent valuers; We considered the reports on the mining rights and valuations of the investment properties and obtained evidence of the following:
 - the professional competence, in particular, membership of an appropriate professional body and experience and reputation in the field;
 - the independence, including confirmation that there were no actual or apparent conflicts of interest that might impair, or be perceived to impair, their objectivity;
 - that the scope of the work was adequate; and
 - the appropriateness of the work ensuring that the methodology is acceptable.

Having considered the above, we are satisfied with the valuations:

- reviewed the terms of the acquisition issue of shares;
- considered information made available by and from discussions held with the management and directors of Trustco;
- considered the rationale for the acquisition issues of shares;
- considered the valuation of Trustco that we prepared; and
- conducted appropriate sensitivity analysis given a reasonable range of key assumptions on the valuations mentioned above. Sensitivity analysis conducted includes, *inter alia*; inflation rates, growth rates and interest rates. Sensitivity analysis was conducted based on historical trends and market forecasts. Various scenarios were evaluated and analyses to determine the effects of changes in these variables. The historical analyses of these factors reflect stability and no significant historical fluctuations have been observed. This serves well to limit the range for the sensitivity analysis. Following the sensitivity analysis, the major drivers (most sensitive) were revenue growth percentage – a 1% increase giving a 7.6% difference and the fair rate of return – a 1% difference resulting in 17% change in valuation.

Fair rate of return

We used a fair rate of return of between 15% and 16% for the valuation models used in the valuation.

Introduction

The modified capital asset pricing model was applied in arriving at the fair rate of return used to discount the projected cash flows. The fair rate of return comprises three elements:

1. the rate the investor could earn after tax on government bonds, which was used as a surrogate for a risk free rate,
2. the systematic risk premium applicable to the asset comprising the risks that cannot be mitigated by diversification, and
3. the unsystematic risk applicable to the asset comprising the risks that could be mitigated by diversification but were not.

Risk free rate on long dated government bonds of 8% was utilised.

Systematic risk premium 8% p.a. was considered appropriate.

Unsystematic risk premium

This premium utilised was 2% and accounts for the risks that could, theoretically, be mitigated by placing the asset in a diversified portfolio of assets. Where this is not the case, or where it is not possible to mitigate such risks, account should be taken of these risks.

APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- placing reliance on representations made by directors and senior employees during the course of forming these opinion;
- we have considered the opinions of independent professionals, e.g. the competent person, the audit report and the independent property valuers;
- considering the historical trends of such information and assumptions;
- comparing and corroborating such information and assumptions with external sources of information, if such information is available; and
- determining the extent to which representations from directors, senior employees and the Independent Valuer could be relied upon.

We have relied upon the accuracy of information provided to us or otherwise reviewed by us, for the purpose of this valuation, whether in writing or obtained in discussion with the executive directors, non-executive directors and management of Trustor. We have relied on the audit reports and reviewed the information for reasonableness and consistency. We express no opinion on this information.

VALUATION

We have performed valuations using a Discounted Cash Flow Models of both the acquisition and Trustco to determine whether the proposed acquisition issue of shares represents fair value to the shareholders. We have reviewed the methodologies available for performing valuations of businesses operating in this industry. The Discounted Cash Flow Model was applied as the primary valuation methodology and the capitalisation of earnings method was used as the secondary method.

Sensitivity analyses were performed considering key assumptions in arriving at the valuation range set out below. The valuation involved a stress test and sensitivity analysis on the key value drivers.

INDEPENDENCE, COMPETANCE AND LIMITING CONDITIONS

We confirm that Effortless Corporate Finance (Pty) Ltd has no independence issues relating to directorships, employment, owning shares, management and fees earned in Trustco or related parties.

We confirm that Effortless Corporate Finance (Pty) Ltd and the directors responsible for this assignment have the necessary competencies relating to internal control systems, quality control, experience and qualifications.

We confirm that we have no financial interest and no relationship in Trustco, the acquisition issue of shares or related parties. Furthermore, we confirm that our professional fees are not contingent upon the success of the acquisition issue of shares and amount to R50 000 payable in cash.

We confirm that the scope of our procedures and work performed were not subject to any limiting conditions.

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated as at the date of this report. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

The effect of the acquisition issue of shares on individual shareholders of Trustco may vary depending on their particular circumstances. We suggest that shareholders should consult an independent advisor if they are in any doubt as to the effect of the acquisition and the issues of shares, considering their personal circumstances.

OPINION

We have evaluated the acquisition issue of shares and have found that they are fair.

CONSENT

We consent that this opinion may be included, in whole or in part, in any required regulatory announcement or documentation such as a circular.

Yours faithfully

PAUL AUSTIN

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