



MDLULI SAFARI LODGE

Kruger National Park

FREQUENTLY ASKED QUESTIONS BY PROSPECTIVE INVESTORS

JOHANNESBURG
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Who are the fund administrators of Mdluli Safari Limited Section 12J?

Grovest Corporate Advisory Pty Ltd have 7 promoted Section 12J funds, and administer a further 44 Section 12J funds on behalf of third parties, accounting for R1.4bn of the R6 billion section 12J asset class. Well renowned as the pioneers and constant innovators of the Section 12J landscape, they operationalised the first Section 12J fund in the market. Today they are the largest outsourced Section 12J fund administrator in South Africa and continue to play a dominant role in lobbying all stakeholders for meaningful positive changes to this growing asset class.

What is the background to the Mdluli Community ownership of land situated within the borders of the Kruger National Park?

The Mdluli Community was resident on the land and were forcibly removed and relocated in the 1960's at which time the border of the KNP was expanded to the west. The community is now resident in villages outside the current border.

With the advent of political changes in the 1990's, the then Chief M Z Mdluli initiated a process to reclaim the approximately 850 hectares of community land, which has been registered in the name of The Mdluli Trust, a trust for the benefit of the Mdluli Community.

An extensive process has taken place with SANParks, KNP and the environmental authorities to obtain the required approvals to develop the Lodge. A joint venture development company has been established by the promoters and the community to develop the land and Mdluli Safari Lodge has entered into an initial 10 year lease to develop and operate the Lodge.

This is thus an extremely unusual circumstance of land located seamlessly within the borders of KNP but owned by the Mdluli Community Trust.

What are the options to get to Mdluli Safari Lodge?

- If you are driving to the Lodge, the nearest access is via Numbi Gate, approximately 4-4,5hrs drive from Gauteng, via White River.
- Alternative convenient access is via Paul Kruger gate with a drive in the Park from the gate to the Lodge.
- Alternatively, there are flights on the hour from OR Tambo to Kruger Mpumalanga International Airport (KMIA), which is approximately a 40 minute drive to Numbi Gate.
- An alternative is fly to Skukuza Airport and enjoy a 60 minute game drive en route to the Lodge.

Access control and security at Mdluli Safari Lodge?

Mdluli Safari Lodge is situated within the 850 hectares of Mdluli Safari Reserve.

- Once you have entered the Kruger National Park through Numbi Gate, you turn off the main road to the right onto a private road that leads to Mdluli Safari Lodge—approximately 20 minute drive time.
- Access to Mdluli Safari Reserve is controlled and restricted to guests and staff of Mdluli Safari Lodge and officials of KNP.
- Mdluli Safari Reserve is thus not open to traversing by the general public.

- At the main entrance gate to the Lodge itself, access will only be granted to guests of the Lodge.
- To ensure security of guests, the entire Lodge site has an electric fence which is monitored 24/7 by infra-red cameras.

Will I be allowed to drive my own car within Mdluli Safari Reserve to get to the Lodge?

Guests may drive to the Lodge on the private access road and secure parking for guest's vehicles will be available at the Lodge.

Other than to reach the Lodge, guests may not traverse on the 850 hectares of Mdluli Safari Reserve, which will only be in open safari vehicles provided by the Lodge driven by a qualified ranger.

Can I arrive at or depart the Lodge outside of the specified entry and exit times of KNP?

As the Lodge is situated inside of the borders of the Kruger National Park, you will not be authorized to access the Lodge after the KNP gates have closed or before the gates have opened at the official seasonal times.

Mdluli Safari Lodge will however offer guests a range of alternative nighttime safari experiences on the 850 hectares of Mdluli Safari Reserve, including game drives, bush dinners etc.

Self-driving in Kruger National Park in your own vehicle?

If you wish to self-drive outside the 850 hectares of Mdluli Safari Reserve in your own vehicle, you return to the Numbi Gate reception facility and access the Park in the normal way.

This will be subject to the usual Kruger National Park entry fees.

What happens to my investment in Mdluli Safari Lodge Limited at the end of 9 years (i.e. at 10 January 2030)

The investment has been structured as a 9 year instrument which is co-terminus with the initial term of the Lodge operator's management agreement. At that point, 100% of the investors original capital will have been returned (years 5 to 9) and it is thus the optimum time to exit from a pure financial return perspective.

At the end of year 10, investor will have the option to "put" the shares to the management company and thus exit the investment. The value of the shares will be determined by reference to the net asset value of the Lodge at that date as determined by an independent financial expert.

This option has been created as our experience with Section 12J to date is that investors prefer an option to exit their investment at a point in time should they so desire.

Likewise, the fund management company has the option to "call" the investor's shares at the end of year 9, valued on the same basis as set out above.

If neither party exercises their option, Investors will continue to be entitled to free-bed nights per annum.

The prospective value of the shares at the option date has not been factored into the investor returns calculation and the attributable value as determined will thus enhance the IRR on investment as indicated in the investment documentation.

What if I want to exit my investment before the end of 9 years?

Mdluli Safari Lodge Limited is an unlisted public company and shareholders are free to sell their shares at any time they wish.

Investors who dispose of their shares before 5 years from the date of original investment will be subject to tax as a recoupment on the initial tax deduction.

In exceptional circumstances, the board of Mdluli Safari Lodge Limited will endeavor to assist a distressed investor and facilitate an exit.

Unutilized bed nights will be transferable to the new incoming shareholder.

What exactly does the bed night package comprise?

The bed night package comprises dinner, bed, breakfast and one daily game viewing activity per person.

The game viewing activity can either be a guided game walk or a game drive with a qualified ranger in an open safari vehicle, as preferred by the guest.

The game drive may take place on the 850 hectares of Mdluli Safari Reserve and/or within the wider Kruger National Park. This will be decided by the ranger at the time, to offer the guest the best game viewing experience.

When does my entitlement to utilization of bed nights package commence and terminate?

You will be entitled to utilize your annual bed night allotment from the date of your investment until 13 January 2030. Bed nights entitled for the 2021 calendar year, being (1 Jan 2021 – 31 Dec 2021), as a result, of the lockdown, can be carried over and utilized by December 2022.

Reservations of bed nights to be made via direct access to the central reservation offices. Investors are provided with a unique booking code and details of how to make reservations following the receipt of their investment.

Are there levies or other charges in relation to the utilization of the bed night package?

There are no annual levies or other annual charges. A R40 bed night levy is payable per bed night upon check-out. All levies go forward to the Mdluli Community.

How does the bed night package work in the circumstance of a family?

The tents are luxurious and spacious —approximately 75 square meters. Each tent has a double bed (or two twin beds) and a double sleeper couch and comfortably sleeps four persons.

Thus, two children under 12 stay free when sharing the accommodation with their parents.

Is the utilization of the bed night package restricted to certain dates or does it exclude priority accommodation periods such as long weekends or school holidays?

Unlike other leisure investment schemes, utilization of the bed night package is entirely at the discretion and preference of the investor. It is not restricted in any way to specific dates or specific weeks.

However, if your preference is for a high demand period, you should make your reservation well in advance to ensure availability.

Would I as an Investor be able to purchase additional bed nights at a discount?

As an incentive to investors, Investors are entitled to a **30% discount on the prevailing rack rate quoted on the website**, with the additional nights purchased limited to the bed-night entitlement per the investment package selected. i.e. an Investor who selects a 10 bed night package per annum can purchase a maximum of an additional 10 nights per annum at a discount of **30% to prevailing rack rate**.

What if I want to avail friends and family of my bed nights package?

You are welcome to make your bed night package available to friends, family, business associates etc. as long as the bed nights are not sold on secondary platforms such as AirBnb, etc.

Is the capital repayment guaranteed? How will the company manage to make these capital repayments from surplus cash flows?

- The capital repayments have been forecasted based on operating and profitability being achieved by existing Lodges managed by Nkambeni Safari Lodges.
- In our financial projections, taking into consideration the short and medium term effects of the Covid-19, pandemic, we have assumed a 43% occupancy obtained Year 1 (Feb 2022) increasing to 63% in Year 2 (Feb 2023), then stabilizing around 68% - 72% in Years 3 onwards. Prior to Covid-19, MSL achieved a forward occupancy of 52% for the 2020 calendar year in 7 short weeks of trading.
- We believe Mdluli Safari Lodge can deliver and possibly exceed the targeted returns.
- Capital is returned from Year 5 onwards having regard to the legislative provisions of Section 12J.
- The amounts available for return of capital are supported by the projected annual free cash flow from Lodge operations.

When can I claim my tax deduction if I am a South African taxpayer?

- Provisional taxpayer- As your investment will be made before the end of June 2021, you are entitled to claim your tax deduction prior to your August 2021 provisional tax payment.
- PAYE Taxpayer- As you have made this investment in June 2021, which falls within your 2022 taxable year of assessment, you would be able to reduce your taxable income upon submission of your 2022 tax return. As PAYE is deducted each month, you will receive a tax refund upon filing your 2022 income tax return.

What if the amount I wish to invest does not match any of the three available packages?

The lowest amount that will be accepted is R150 000. If, for example, an investor wishes to invest more than this amount, but below the next level of R250k, they can invest in R50 000 increments with their bed night allocation being adjusted pro-rata.

Can I syndicate my investment with other parties?

You are free to syndicate your investment with other investors. Each party will need to complete and submit a completed application form with the accompanying payment.

Separate share certificates and tax certificates will be issued to each of the parties to the syndication.

Why is there a Capital Raising Fee?

The capital raising fee is standard practice in the international private equity and venture capital industries and is intended to cover the costs incurred by the fund manager to launch the fund.

Why is there a performance fee?

The 10% performance fee is intended to incentivize the fund manager to earn the investors higher returns as the manager participates in 10% of the returns in excess of that indicated in the prospectus. This too is standard practice in the international private equity and venture capital industries.

The performance fee for Mdluli Safari Lodge Limited is below that of comparable funds in the market and the industry norm is a 20% performance fee.

Please explain the underwriting of the capital required to fund the development of the Lodge

The funds required to develop the Lodge including pre-opening and other operating costs amount to R90m. Close to R66 million has already been raised via various 12J equity offers and R35m has been raised with the underwriting consortium, being the development joint venture partners of the Mdluli Community underwritten the remaining development capital.

How does an investment in Mdluli Safari Lodge Limited compare to existing leisure investment structures in South Africa?

This investment is unique not just in the financial services industry but across all similar leisure investment opportunities and alternatives in South Africa.

Mdluli Safari Lodge Limited represents a breakthrough in leisure ownership that dis-intermediates the onerous restrictions on utilization, costs and levies associated traditional time-share and other leisure property investment schemes.

It is the only available investment in a Lodge operating within the borders of Kruger National Park on land over which there is freehold title and ownership.

How does the projected return compare to an investment in other Section 12J funds?

Mdluli Safari Lodge Limited is projected to yield Investors above market financial related returns in the forms of:

- Annual guaranteed leisure returns in years 1-9,
- Return of original capital invested in years 5–9 and
- The prospective value of the shares in Mdluli Safari Lodge Limited should they be sold at the end of year 9.

A more detailed analysis as well as the underlying assumptions are set out in the Investor Brochure on the website.

There is no other 12J investment opportunity available which offers these levels of leisure returns.

What are the risk factors attached to an investment in Mdluli Safari Lodge Limited?

The risk factors are set out in Annexure 1 of the prospectus which is available on the website to at the company's office in Sandton.

PROSPECTIVE INVESTORS ARE URGED TO STUDY THE PROSPECTUS AND INVESTOR BROCHURE AVAILABLE ON THE WEBSITE

Please do not hesitate to contact me with any further queries.

Regards,

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