

17 June 2021

Dear Ms Haese, CEO of the Nova Property Group

I am investigating the Nova Property Group's acquisition of the Convey Assist/Cold Creek development in Polokwane. On several occasions in the past, I have put questions to you regarding this transaction, but you have not responded to any.

I request a personal interview with you to discuss this transaction.

As CEO of the Nova Property Group, I believe you will be able to put the apparent conflict of interest of the Nova chairman into perspective. The fact that the Cold Creek development was not independently valued before the transaction and that the acquisition was financed by the proceeds of the sale of debenture-linked properties also suggest corporate governance failures.

If you are not available to be interviewed, I request that you provide answers to the following questions:

1. What was the rationale for the acquisition of Convey Assist?
2. Was the Nova board aware that Mr Myburgh was the majority shareholder of Convey Assist before the development was acquired?
3. Was the Nova board aware that Convey Assist fell behind in repayments to RMB and that RMB initiated liquidation proceedings against the company?
4. Was the Nova board aware that Mr Myburgh provided surety to RMB related to a mortgage bond registered over the property and would have been personally liable to repay amounts due to RMB if the liquidation process was successful?
5. Did Nova acquire Convey Assist to "save" Mr Myburgh from suffering financial losses that would have followed the company's liquidation?
6. Mr Myburgh was the majority shareholder of Convey Assist. He was also the chairman of Nova and the receiver of the Nova Debenture Trust. How did the Nova board deal with this blatant conflict?
7. Questions related to the valuation of Convey Assist/Cold Creek.
 - 7.1. Did Nova commission an independent valuation of the development before the transaction?
 - 7.2. If an independent valuation was indeed performed, why was the valuation not disclosed to Nova stakeholders?

- 7.3. In Nova's 2013 AFS, it is disclosed that the valuation used in the AFS was performed on 1 April 2011 by Mr C Geldenhuys of DDP Valuers. Which entity or individuals appointed and paid DDP Valuers to value the property in 2011?
- 7.4. On what basis could the DDP valuation have been used in Nova's 2013 AFS as the official valuation of the property?
- 7.5. Did the valuation included in the 2013 AFS (R178 245 406) reflect DD Valuers actual 2011 valuation?
- 7.6. Was the DDP valuation the most recent valuation of the property before the publication of the 2013 AFS?
- 7.7. It is stated in the 2014 AFS that it is Nova's policy that independent valuers value properties every three years. However, I have analysed Nova's AFS from 2013 to 2020, and it is evident that the property was never valued by an independent valuer. Why was the property never independently valued?
- 7.8. In the 2017 AFS, Cold Creek was valued at R267.8 million. Yet, in the 2020 AFS, the value has been reduced to R56.1 million. Why was the value decreased to this extent?

8. Questions related to the amount Nova paid for Convey Assist.
 - 8.1. Please explain how the purchase price was calculated.
 - 8.2. The 2013 AFS discloses that Nova acquired the property for R27 617 794. I have been informed that the property was acquired for approximately R55 million. Can you confirm the actual transaction amount?
 - 8.3. Can you confirm that Nova paid an amount similar to acquire Convey Assist as the amount RMB claimed through its liquidation application?
9. Questions related to the financing of the transaction.
 - 9.1. Please explain how Nova financed the transaction.
 - 9.2. I have been informed that Nova financed the transaction with the proceeds of the sale of Rivonia Square and/or the registration of a mortgage bond over Silverwater Crossing. Can you confirm whether this is accurate?
 - 9.3. How did the financing of the acquisition affect Nova's ability to repay debenture holders in terms of the relevant Schemes of Arrangement?
 - 9.4. According to documents in my possession, Nova used the proceeds of the sale of several properties to pay operating expenses related to Cold Creek, amounting to R37 586 911. This includes proceeds from the sale of Homemakers (R3 806 000), Leeupoort (R1 099 683), Parkside (R11 710 471), Oxford (4 979 123) and Rivonia (R15 991 634). Why were the proceeds of the sale of properties used to pay expenses at Cold Creek?
 - 9.5. How did the payment of these expenses benefit debenture holders?
10. Questions related to Nova's lack of communication with debenture holders and other stakeholders.
 - 10.1. Why did Nova not communicate Mr Myburgh's apparent conflict to debenture holders?

- 10.2. Nova sent a comprehensive 22-page Communique to debenture holders in October 2014, which did not refer to Convey Assist/Cold Creek at all. Why did Nova not provide detailed information to debenture holders in this communication?
- 10.3. It seems as if Nova has not provided any detailed information related to the development to stakeholders and debenture holders. I read all the communiqus sent to stakeholders between 2012 and 2021 and could not find any detailed references. Please confirm whether this is accurate or refer me to a communique where detailed information was indeed disclosed.
- 10.4. Why would it be unfair to assume that Nova, through a lack of communication, tried to hide the transaction from debenture holders?

11. During Nova's 2015 AGM, Mr Myburgh made several remarks and claims regarding the Cold Creek development. These remarks and claims include:
 - The acquisition was made without external funding and had no gearing.
 - The development added more than R300 million to Nova's balance sheet as net asset value.
 - It is a fantastic project which is running extremely well.
 - We (Nova) have sufficient funds on our borrowings to grow this project.
 - Dit is een van die beste eiendomme in Polokwane.
- 11.1. Why did Mr Myburgh, or the board for that matter, not disclose to attendees that Mr Myburgh was the majority shareholder of the company which owned the development before Nova acquired it and that RMB has initiated liquidation proceedings?
- 11.2. On what basis could Mr Myburgh claim that the development has added more than R300 million to Nova's net asset value?
- 11.3. If the Nova board was so optimistic about the prospects of the Cold Creek development, why was it never communicated to stakeholders through other means, such as a communique?

12. Why was Cold Creek never developed?
13. Nova announced in the 2020 AFS that it sold Cold Creek.
 - 13.1. What was the sale amount?
 - 13.2. To whom was the property or holding company sold?
 - 13.3. Why did Nova not disclose this information in the 2020 AFS?
 - 13.4. Who are the current shareholders of the company that now owns the development?
14. It appears that Nova only acquired the Convey Assist/Cold Creek development to prevent Mr Myburgh from suffering significant financial losses or even being sequestered. This resulted in substantial losses for debenture holders as the transaction and subsequent expenses were financed with monies due to debenture holders. Put differently; Nova debenture holders financed a transaction to save Mr Myburgh from suffering significant personal losses or even being sequestered. The Nova board ignored a blatant conflict of interest, did not value the property independently and tried to hide

Mr Myburgh's involvement in the transaction from debenture holders and other stakeholders through a lack of transparency. Why would this be an inaccurate assumption?

Kind regards
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Nova's response

22 June 2022

Dear Mr Van Niekerk

1. I refer to your letters dated 17 June 2021 addressed to me, as CEO of Nova, and to Mr Myburgh, in his personal capacity ("your letters").
2. Your letters deal with the same issue, namely the unwarranted assumption contained in paragraph 14 of your letter to me, and paragraph 13 of the letter to Mr Myburgh, the substance of these paragraphs being the same.
3. The assumption that you have made is that the sole rationale for the acquisition by Nova of the Cold Creek development ("the development") was to assist Mr Myburgh in averting a personal financial difficulty.
4. What is astonishing about your assumption is that you identify no facts that support your assumption, instead your letters constitute an attempt to interrogate us with a series of questions requiring us to disprove the assumption.
5. Let me state, at the outset, that your assumption is incorrect and is completely without substance. I say so for the following reasons:
 - a. Nova was aware, through its relationship with Mr Myburgh, of the development but at no stage did Mr Myburgh propose that the development be acquired by Nova.
 - b. Nova elected, without any provocation from Mr Myburgh, to investigate, of its own volition, whether the acquisition of the development was a viable commercial proposition so as to add value to Nova's balance sheet to the benefit of Nova's stakeholders;
 - c. During the course of the aforementioned investigation, and as part of the due diligence process, Mr Myburgh disclosed that the development was in financial distress and this was confirmed during the investigation, including the fact that a liquidation application had been brought by the financier, RMB;
 - d. Nova, following its investigations, discerned that the development could be acquired for an amount ("the acquisition cost") being equivalent to the amount owed to RMB and that the acquisition cost was at a substantial discount to the actual value of the development;
 - e. It was on the foregoing basis that the Nova board, to the exclusion of Mr Myburgh, who recused himself from the process, made an offer to acquire the development at the acquisition cost, which offer was subsequently accepted and the development was acquired on this basis.
6. Whilst it may be so that Mr Myburgh had signed surety pertaining to the moneys owed to RMB, at no stage, to Nova's knowledge, did RMB make any demand on Mr Myburgh in terms of his suretyship obligations and certainly Mr Myburgh's personal position did not feature in any discussion, at board level or otherwise, in the debates around the possible acquisition of the development.

7. To reiterate, and rebut the thrust of your letters, the development was acquired solely because it was perceived to be a good acquisition at a significantly discounted price and for no other reason whatsoever.

8. The foregoing constitutes both Nova and Mr Myburgh's substantive response to the issue that is at the heart of your letters and is demonstrative of the fact that there has been no wrongdoing on our part.

9. In relation to the battery of interrogatories contained in your letters, history has taught us that no useful purpose would be served in entering into a debate by correspondence with you and we will not do so, especially when it is clear from the tone and content of the interrogatories, that they are not designed to provoke constructive debate, but are couched, instead, in the form of cross examination and are clearly designed to discredit us, no matter how we may answer.

You are requested to quote the above responses verbatim in any publication in this regard you may release.

Kind Regards



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