SENS ANNOUNCEMENT

15 June 2021

Irongate Group (JSE: IAP)

Comprising Irongate Property Fund I (**IPF I**, ARSN 162 067 736) and Irongate Property Fund II (**IPF II**, ARSN 644 081 309), established in Australia and registered with ASIC as managed investment schemes
Operated by Irongate Funds Management Limited (ACN 071 514 246; AFSL 290 909) (**Responsible Entity**)
IPF I is registered as a foreign collective investment scheme in terms of the Collective Investment Schemes Control Act No.45 of 2002
ISIN: AU0000046005
(**IAP** or the **Fund**)

Acquisition of Canberra Office Property

Introduction

Irongate Funds Management Limited as responsible entity of the Irongate Group[1] (**IAP**) is pleased to announce that it has entered into a unit sale agreement with the Blackstone Group Inc[2] to acquire a 100% interest in the property located at 38 Sydney Avenue, Canberra ACT (**Property**) for a total purchase price of A$73.75 million[3] (**Acquisition**). The purchase price implies an initial yield for the Property of 5.13%[4].

Funding of the Acquisition

IAP has today launched a fully underwritten Placement[5] of 34,013,605 new fully paid ordinary stapled securities (**New Securities**) to raise approximately A$50 million at a fixed issue price of A$1.47 per New Security[6], representing a:

- 3.9% discount to the last closing price of A$1.53 on the ASX on Friday, 11 June 2021;
- 2.2% discount to the 5 day VWAP of A$1.50 on the ASX on Friday, 11 June 2021; and
- 6.2% FY22 distribution yield.[7]

[1] Comprising Irongate Property Fund I and Irongate Property Fund II.
[2] The vendor is Merlin Australia Secondary Offices Hold Pty Ltd as trustee for Merlin Australia Secondary Offices Hold Trust
[3] The interest will be acquired by a wholly owned sub trust of IAP purchasing all of the units in a trust known as the 38 Sydney Ave Trust. Purchase price excludes transaction costs and is subject to customary adjustments.
[4] Initial yield is pre transaction costs.
[5] To be conducted by way of a vendor consideration placing in terms of section 5.62 of the JSE Listings Requirements and in accordance with ASX Listing Rule 7.1.
[6] The Responsible Entity confirms that the issue price is within the parameters prescribed by section 5.62 of the JSE Listings Requirements.
[7] Based on midpoint of guidance of distribution growth range of 2% - 3%. The higher end of the range dependent on securing additional commitments and deployment for the TAP Fund. IAP's policy is to pay out between 80% and 100% of FFO, with an expectation for FY22 to be in the middle of the target range. This forecast is based on the assumptions that the macro-economic environment will not deteriorate markedly, no tenant failures will occur, and budgeted renewals will be concluded. Budgeted rental income is based on in force leases, contractual escalations and market-related renewals.

New Securities issued under the Placement will rank equally with existing IAP stapled securities from the date of issue and will be entitled to the distribution for the six months to 30 September 2021. The Placement is fully underwritten by Macquarie Capital (Australia) Limited and UBS AG, Australia Branch.

The funds raised under the Placement will be used to partly fund the Acquisition, with the balance funded under a new tranche of the debt facility provided by Westpac, ANZ and PGIM. The Placement provides IAP with the opportunity to increase liquidity while preserving balance sheet capacity for future growth.

Further details of the Placement are contained in the announcement relating to the Placement lodged on SENS dated today's date, Tuesday, 15 June 2021.

Background to and Rationale for the Acquisition

- The Property is an A-grade office building comprising 8,901m^2 of accommodation across four levels including a ground floor café in one of Canberra's prime office precincts.
- The Property is 55% leased to the Australian National Audit Office, a department of the Australian Federal Government functioning as the national auditor for the Parliament of Australia, with 13.5 years remaining on the lease term and annual fixed rent reviews of 3.5%.
- The balance of the office space (3,920m^2) is subject to a 24-month non-refundable gross rent guarantee provided by the vendor, resulting in a WALE for the Property at completion of 8.5 years[8].
- The Property has had approximately A$12.6 million spent on fit out and refurbishment works in the last two years including a full atrium lobby upgrade, the addition of end-of-trip facilities and refurbishment of on floor amenities.
- The Canberra office market proved resilient through the COVID-19 pandemic, underpinned by the government sector.
- The Property is located 500m from Parliament House in a precinct with A-grade vacancy of less than 1%.
- The Property has a NABERS energy rating of 4.5 stars and large floor plates that are easily subdividable.
- The Acquisition builds on IAP's track record of acquiring strategically located, good quality income-producing properties.

Conditions Precedent

The Acquisition is not subject to any conditions precedent.

[8] Weighted by gross property income. Including 24-month non-refundable gross rent guarantee provided by the vendor.

Property Specific Information

Registered description	Block 3 Section 29 Division Forrest on Deposited Plan No.8826
Title	Crown leasehold (73 years remaining)
Sector	Office
Location	38 Sydney Avenue, Canberra ACT
Year built	1997 (refurbishment in 2019)
Site area	3,269m²
Lettable area	8,901m²
Rent per m²	A$425 (net)
Vacancy[9]	0%[10]
WALE[11]	8.5 years[12]
Estimated transaction costs	A$4,056,250

The Property has been valued at A$74.15 million as at 12 May 2021 by Knight Frank Valuation & Advisory Canberra. The valuer, Martin Elliott FAPI, is an independent valuer and a certified practicing valuer (API Reg No. 67266).

Forecast Information

Set out below is the forecast revenue, operational net income, net profit attributable to equity holders and earnings available for distribution from the Acquisition (**forecast**) for the 10 months ending 31 March 2022 and the 12 months ending 31 March 2022 (**forecast period**).

The forecast has been prepared on the assumption that the Acquisition will be implemented on Monday, 31 May 2021 (notwithstanding that the settlement date under the unit sale agreement is scheduled for Tuesday, 29 June 2021) and on the basis that the forecast includes forecast results for the duration of the forecast period.

The forecast, including the assumptions on which it is based and the financial information from which it is prepared, is the responsibility of the board of directors of the Responsible Entity. The forecast has not been reviewed or reported on by the independent reporting accountants.

The forecast presented in the table below relates to the Acquisition only and has been prepared in accordance with IAP's accounting policies and in compliance with International Financial Reporting Standards.

[9] Weighted by gross property income.
[10] Including 24-month non-refundable gross rent guarantee provided by the vendor.
[11] Weighted by gross property income.
[12] Including 24-month non-refundable gross rent guarantee provided by the vendor.

	Forecast 10 months ending 31 March 2022 A$'000	Forecast 12 months ending 31 March 2022 A$'000
Revenue, including straight line adjustment	4,245	5,145
Total property expenses	(551)	(676)
Net property income	**3,694**	**4,469**
Fund operating costs	(350)	(420)
Net operating income before finance charges	**3,344**	**4,049**
Finance costs	(1,842)	(2,210)
Net profit attributable to equity holders	**1,502**	**1,839**
Less: straight line revenue adjustment	(528)	(550)
Distributable income pre-withholding tax	**974**	**1,289**
Distributable income post-withholding tax	**871**	**1,153**

The forecast incorporates the following material assumptions in respect of revenue and expenses:

1. Contracted revenue is based on existing lease agreements including stipulated increases.
2. There are no leases expiring during the forecast period.
3. Of the rental income of A$3,717,338 for the 10 months ending 31 March 2022, 100% relates to contracted rental income and rental guarantees provided by the vendor.
4. Of the rental income of A$4,594,846 for the year ending 31 March 2023, 100% relates to contracted rental income and rental guarantees provided by the vendor.
5. Expenditure items relate to fund operating costs.
6. No material expenditure items have been increased in the forecast period ending 31 March 2023 by more than 15% over the previous financial period.
7. The finance costs assume an all-in cost of funds of 2.84% per annum for the Acquisition. At least 75% of the cost of the Fund's total debt will be fixed via interest rate swaps (in accordance with the Fund's interest rate hedging policy) for 4, 5 and 10 year periods.
8. Distributions are payable to securityholders attributable to the Acquisition and are partially shielded by depreciation allowances.
9. A fair value adjustment is recognised in relation to the transaction costs.
10. There will be no unforeseen economic factors that will affect the lessees' ability to meet their commitments in terms of existing lease agreements.

Effective Date

The effective date of the Acquisition is the settlement date under the unit sale agreement, which is anticipated to be Tuesday, 29 June 2021.

Categorisation

The Acquisition is a category 2 transaction in terms of section 9 of the JSE Listings Requirements and accordingly does not require approval by securityholders.

Johannesburg

Investment Bank and Sponsor
Investec Bank Limited