



**GAIA INFRASTRUCTURE CAPITAL LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number 2015/115237/06)  
(Share Code: GAI ISIN ZAE000210555)  
("GAIA" or the "Company")

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## GAIA ACQUIRES AN EFFECTIVE ECONOMIC INTEREST IN THE NOBLESFONTEIN WIND FARM

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### 1 INTRODUCTION

- 1.1 GAIA shareholders are referred to the cautionary announcement released by the Company on SENS on 14 August 2017 regarding a proposed acquisition by the Company of an economic interest in a large, operating wind project commissioned as part of Round 1 of the South African Renewable Energy Independent Power Producer Procurement Programme ("**REIPPPP**").
- 1.2 GAIA is pleased to announce that it, together with Rand Merchant Bank, a division of FirstRand Bank Limited ("**RMB**"), RMB Investments and Advisory Proprietary Limited ("**RMBIA**"), Thebe Investment Corporation ("**Thebe**") and Titan Investments ("**Titan**") (via the Metshel Group), have entered into binding agreements whereby:
- 1.2.1 Nfontein Two Proprietary Limited ("**N1**") will acquire 60% of the ordinary shares in and 75% of the claims against Coria (PKF) Investments 28 (RF) Proprietary Limited ("**Noblesfontein Wind Farm**" or the "**Project Company**"), from Gestamp Eolica S.L. ("**Gestamp**"), for an aggregate consideration of up to R740 million ("**Gestamp/N1 Sale**"). The aggregate consideration is subject to agreeing and implementation of the terms of a proposed refinancing of the existing project finance facility at the Project Company level;
- 1.2.2 Main Street 1538 Proprietary Limited ("**Thebe Noblesfontein**"), will simultaneously purchase c.12.5% of the issued ordinary shares in and c.15.625% of the claims on the shareholder loan against the Project Company from N1;
- 1.2.3 the parties will implement and fund the acquisition in accordance with the terms of the respective transaction agreements ("**Transaction Agreements**") and finance documents ("**Finance Documents**"). On closing and implementation of the proposed transactions, N1 will own c.47.5% of the ordinary shares in and c.59.375% of the claims on the shareholder loan against the Project Company;
- 1.2.4 GAIA Financial Services Proprietary Limited ("**GAIA FS**"), a wholly owned subsidiary of GAIA, will subscribe for C Preference Shares ("**GAIA SPV C Preference Shares**") in Business Venture Investments No. 3010 Proprietary Limited ("**GAIA SPV**") for an aggregate subscription price of R130 million and, as a result, acquire an effective economic interest of 13.001% in the combined distributions linked to the ordinary shares and shareholder loan claims against the Noblesfontein Wind Farm,
- (the "**Noblesfontein Transaction**").
- 1.3 In addition, GAIA FS has entered into funding agreements with South African Renewable Green Energy Proprietary Limited ("**SARGE**") whereby GAIA FS will subscribe for A Preference Shares ("**SARGE A Preference Shares**") and B Preference Shares ("**SARGE B Preference Shares**") in SARGE (collectively "**SARGE Preference Shares**") for an aggregate subscription price of R57,493,127,
- (the "**SARGE Transaction**").
- 1.4 The SARGE Transaction funding will be utilised by SARGE to:
- 1.4.1 repay a loan advanced by Gestamp, which funded SARGE's initial acquisition of 12.5% of the ordinary shares in the Project Company; and
- 1.4.2 acquire the shareholding of minority shareholders in SARGE by way of a share repurchase.

- 1.5 As a result of the SARGE Transaction, GAIA FS will acquire a further effective economic interest of 7.03% of the distributions linked to the ordinary shares in the Noblesfontein Wind Farm.

## **2 GAIA STRATEGY AND RATIONALE FOR THE TRANSACTION**

- 2.1 GAIA's stated strategy is to become a diversified infrastructure investment holding company. The Company intends to build a portfolio of operational infrastructure assets that present low investment risk, are income generating, and thus offer a risk return profile comparable to that of bonds and equity instruments and similar to the global recorded position of the particular infrastructure asset class. Initially focusing on utility scale renewable energy, GAIA's diversified portfolio will over time comprise energy, transport, water and sanitation infrastructure assets.
- 2.2 In December 2016, GAIA acquired a c.25.2% effective economic interest in the Dorper Wind Farm for R501 million. The Noblesfontein Transaction and SARGE Transaction are the second and third investments by GAIA and demonstrates the ability of GAIA to identify and conclude investments in infrastructure assets that meet its investment criteria, namely:
- 2.2.1 invest in operational assets or near operational assets, being assets not more than six months from commercial operation;
  - 2.2.2 investments greater than R50 million per investment within Southern Africa;
  - 2.2.3 generate a return of CPI + 6% (before costs) over the term of the offtake agreement or concession as the case may be;
  - 2.2.4 low investment risk and attractive long-term, inflation-linked and predictable cash generation profiles;
  - 2.2.5 visible environmental, social and governance policy appreciation;
  - 2.2.6 acceptable third-party credit risk exposure;
  - 2.2.7 where GAIA can ensure management value-add and directorship roles to further optimise the underlying assets; and
  - 2.2.8 long-term investments in ordinary equity and any other financial instruments which provide economic benefits that meet the targeted investment returns.
- 2.3 GAIA has a strong and attractive investment pipeline and is engaged in a number of exclusive discussions to invest and/or acquire interests, in a number of additional pipeline infrastructure assets worth in aggregate c. R2 billion. The Company is also engaged in a number of near term, non-exclusive discussions to invest and/or acquire interests in infrastructure assets worth a further c. R1.3 billion. The pipeline comprises 70% renewable energy assets, 8% transport assets and 22% water and sanitation assets.
- 2.4 During FY2017, GAIA declared a maiden dividend of c.63.5c per share. The Company intends to pay and maintain a consistent, stable and inflation-linked dividend.

## **3 ABOUT THE NOBLESFONTEIN WIND FARM AND SARGE**

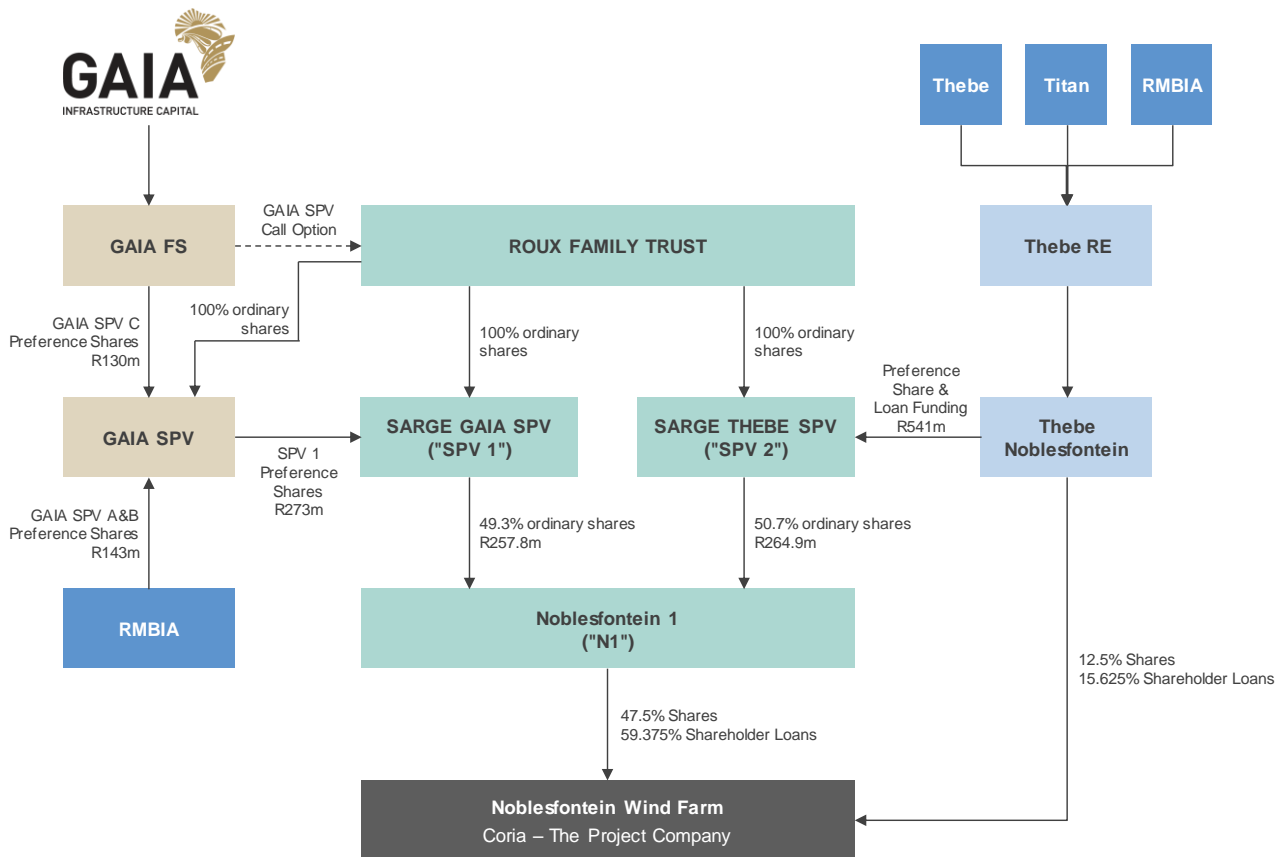
- 3.1 The Noblesfontein Wind Farm is a Round 1 REIPPPP wind project ("**Noblesfontein**") comprising c.73.8MW of electricity generation capacity and located between the towns of Three Sisters and Victoria West in the Northern Cape of South Africa. Noblesfontein achieved Commercial Operation Date on 12 July 2014. Having completed its third year of operation, the various assumptions associated with renewable energy projects (including that they pose risk in the initial stages of a renewable project lifecycle) have been overcome and performance of the asset has been confirmed as accurate and representative of the long-term future.
- 3.2 Noblesfontein is located at the highest point between Cape Town and Johannesburg. The available wind resource of Noblesfontein is consistent and of high quality measured against its capacity factor of c.35.8%, with a number above c.25% considered economically viable. This results in an estimated annual energy production of c.231.6 GWh. The available energy that can be harvested is a testament to the quality of the wind resource.

- 3.3 Noblesfontein comprises 41 Vestas V100-1.8 MW turbines, and following a software update, the turbines were related to c.2MW. Vestas, considered a leader in the wind industry, is the maintenance service provider contracted to provide maintenance services for the life of the asset.
- 3.4 SARGE began its activity in 2009 with the development of the Karoo Renewable Energy Project, a project that comprised the development of projects totalling 300 MW of wind and 50 MW solar PV production capacity.
- 3.5 In 2011 SARGE signed a joint venture agreement with Gestamp Wind ("GW") to develop the portfolio of wind projects on a 50-50 basis, with the commitment of allowing GW to hold the majority once the projects reached financial close.
- 3.6 The Noblesfontein Wind Farm is the first project to be fully developed in terms of the joint venture between SARGE and GW, with SARGE holding 12.5% of the ordinary shares in the Project Company.

**4 OVERVIEW OF THE NOBLESFONTEIN TRANSACTION AND FUNDING STRUCTURE IN RESPECT OF THE NOBLESFONTEIN TRANSACTION**

- 4.1 Gestamp currently owns c.60% of the ordinary shares in and c.75% of the claims on a shareholder loan against the Project Company which it intends to sell, through a series of transactions, to N1 and Thebe Noblesfontein.
- 4.2 Following the conclusion of the Transaction:
  - 4.2.1 N1 will own c.47.5% of the ordinary shares in and c.59.375% of the shareholder loans against the Project Company; and
  - 4.2.2 Thebe Noblesfontein will own c.12.5% of the ordinary shares in and c.15.625% of the shareholder loans against the Project Company.

**4.3 Resultant holding and funding structure**



- 4.4 N1 intends to fund the initial purchase of c.60% of the ordinary shares and c.75% of the shareholder loans in the Project Company from Gestamp by way of:

- 4.4.1 an issue of new ordinary shares in N1 to SPV 1 for c.R257.8 million. This will result in SPV 1 holding c.49.3% of the ordinary shares in N1;
- 4.4.2 an issue of new ordinary shares in N1 to SPV 2 for c.R264.9 million. This will result in SPV 2 holding c.50.7% of the ordinary shares in N1; and
- 4.4.3 a loan from Thebe Noblesfontein to N1 for c.R137.5 million.
- 4.5 Thebe Noblesfontein will simultaneously purchase c.12.5% of the ordinary shares and c.15.625% of the shareholder loans in the Project Company from N1 for c.R137.5 million, which will be settled by set off against N1's obligations to repay the loan contemplated in 4.4.3 above, leaving N1 with c.47.5% of the ordinary shares and c.59.375% of the shareholder loans in the Project Company.
- 4.6 SPV 2, a wholly owned subsidiary of the Francois Roux Family Trust ("**Roux Family Trust**") will raise loan and preference share funding from Thebe Noblesfontein in the aggregate amount of R541 million to fund its subscription for R264.9 million of new ordinary shares in N1, pay transaction fees and retain reserve funds in SPV 2.
- 4.7 SPV 1, a wholly owned subsidiary of the Roux Family Trust will raise preference share funding from GAIA SPV ("**SPV 1 Preference Shares**") in the aggregate amount of c. R273 million to fund its subscription for R257.8 million of new ordinary shares in N1, pay transaction fees and retain reserve funds in SPV 1. The salient terms of the SPV 1 Preference Shares are set out in more detail below.
- 4.8 GAIA SPV will in turn raise preference share funding from RMBIA and GAIA FS ("**GAIA SPV Preference Shares**") in the aggregate amount of c.R273 million to fund its subscription for the SPV 1 Preference Shares. The salient terms of the GAIA SPV Preference Shares are set out in more detail below.
- 4.9 Gestamp has been mandated by N1 to lead negotiations (with the participation of the shareholders in the Project Company) with any re-financier in respect of the refinancing of the existing project debt, in order to improve the commercial returns of the Project. The mandate shall commence on the signature of the Gestamp/N1 Sale, and shall endure until 30 November 2018 (as may be extended for a further 6 month period as contemplated in the Gestamp/N1 Sale).
- 4.10 If the refinancing contemplated in 4.9 above is implemented and further depending on the term of such refinancing, whether it is implemented, and whether a once off special dividend is declared as a result of such refinancing, N1 shall pay Gestamp a second tranche payment, of an amount not exceeding R80 million. To the extent that such second tranche payment is made, it will be made from the proceeds of the special dividend arising from the refinancing.

#### 4.11 The GAIA SPV Call Option

- 4.11.1 The Roux Family Trust currently holds 100% of the issued ordinary shares in GAIA SPV, SPV 1 and SPV 2.
- 4.11.2 The Roux Family Trust has granted GAIA FS an irrevocable call option ("**Call Option**") in terms of which GAIA FS has an option to purchase all of the ordinary shares in GAIA SPV for a purchase price of R100.
- 4.11.3 GAIA FS paid no consideration for the Call Option and is entitled to exercise the Call Option at any time up to the final discharge date of the GAIA SPV Preference Shares.

### 5 SALIENT TERMS OF THE SPV 1 PREFERENCE SHARES IN RESPECT OF THE NOBLESFONTEIN TRANSACTION

- 5.1 The salient terms of the SPV 1 Preference Shares, as set out in the applicable Finance Documents are as follows:

SPV 1 Preference Shares			
	SPV 1 A Preference Share	SPV 1 A1 Preference Shares	SPV 1 B Preference Share
Subscriber	GAIA SPV	GAIA SPV	GAIA SPV
Amount	R143,000,000	R130,000,000	R1,430
Term	15.5 years	15.5 years	Does not expire

<b>SPV 1 Preference Shares</b>			
	<b>SPV 1 A Preference Share</b>	<b>SPV 1 A1 Preference Shares</b>	<b>SPV 1 B Preference Share</b>
Rate	Prime (accrued and paid semi-annually)	Prime (accrued and paid semi-annually)	74% of cash available in SPV 1 after scheduled SPV 1 A Preference Share dividends and SPV A1 Preference Share dividends have been paid (accrued and paid semi-annually)
Instrument	Variable rate cumulative non-participating redeemable	Variable rate cumulative non-participating redeemable	Cumulative participating redeemable preference shares
Refinancing/Early redemption	Can be refinanced and early redeemed	Can be refinanced and early redeemed	May not be early redeemed

5.2 SPV 1's obligations to GAIA SPV under the SPV 1 Preference Share Subscription Agreement ("**SPV 1 PSSA**") are secured by such pledge and cession agreements and a guarantee by the Roux Family Trust, which are standard in a transaction of this nature.

## **6 SALIENT TERMS OF THE GAIA SPV PREFERENCE SHARES IN RESPECT OF THE NOBLESFONTEIN TRANSACTION**

6.1 The salient terms of the GAIA SPV Preference Shares, as set out in the applicable Finance Documents are as follows:

<b>GAIA SPV Preference Shares</b>			
	<b>GAIA SPV A Preference Share</b>	<b>GAIA SPV B Preference Share</b>	<b>GAIA SPV C Preference Share</b>
Subscriber	RMBIA	RMBIA	GAIA FS
Amount	R143,000,000	R1,430	R130,000,000
Term	13 years	Does not expire	Does not expire
Rate	Prime (accrued and paid semi-annually)	11.2% of cash available in GAIA SPV after scheduled GAIA SPV A Preference Share dividends have been paid (accrued and paid semi-annually)	100% of cash available in GAIA SPV after scheduled GAIA SPV A Preference Share dividends and GAIA SPV B Preference Share dividends have been paid (accrued and paid semi-annually)
Instrument	Variable rate cumulative non-participating redeemable	Cumulative participating redeemable preference shares	Cumulative participating redeemable preference shares
Refinancing/Early redemption	Can be refinanced and early redeemed	May not be early redeemed	May not be early redeemed

6.2 GAIA SPV's obligations under the GAIA SPV Preference Share Subscription Agreement ("**GAIA SPV PSSA**") shall be secured by separate pledge and cession agreements which are standard in a transaction of this nature.

6.3 GAIA FS obtained funding as contemplated in 8 below to facilitate, *inter alia*, its subscription for the GAIA SPV C Preference Share.

## **7 SALIENT TERMS OF THE SARGE PREFERENCE SHARES IN RESPECT OF THE SARGE TRANSACTION**

7.1 The salient terms of the SARGE A Preference Shares and SARGE B Preference Shares under the SARGE Preference Share Subscription Agreement ("**SARGE PSSA**"), as set out in the applicable Finance Documents (as defined in the SARGE PSSA) are as follows:

<b>SARGE Preference Shares</b>		
	<b>SARGE A Preference Shares</b>	<b>SARGE B Preference Share</b>
Subscriber	GAIA FS	GAIA FS
Amount	R57 400 000	R93 127
Term	17 years	Does not expire
Rate	CPI + 4%	34% of cash available in SARGE after scheduled SARGE A Preference Share dividends have been paid (accrued and paid semi-annually)
Instrument	Variable rate cumulative non-participating redeemable	Cumulative participating redeemable preference shares
Refinancing/Early redemption	Can be refinanced and early redeemed	May not be early redeemed

7.2 SARGE's obligations under the SARGE PSSA shall be secured by separate pledge and cession agreements which are standard in a transaction of this nature.

7.3 GAIA FS obtained funding as contemplated in 8 below to facilitate, inter alia, its subscription for the SARGE Preference Shares.

## **8 GAIA FS FUNDING**

8.1 GAIA FS obtained funding to facilitate, inter alia, its subscription for the GAIA SPV C Preference Shares; and subscription for the SARGE Preference Shares by way of the issue, by it, of A Preference Shares and B Preference Shares to RMBIA for an aggregate subscription price of approximately R188 million in terms of the GAIA FS Preference Share Subscription Agreement ("**GAIA FS PSSA**").

8.2 Securing the funding from RMBIA effectively gears the returns of GAIA FS to the benefit of the shareholders in support of GAIA's strategy to deliver sustainable inflation-linked dividends.

8.3 GAIA FS' obligations in respect of the A Preference Shares and B Preference Shares contemplated shall be secured by separate pledge and cession agreements which are standard in a transaction of this nature.

8.4 GAIA and GAIA Infrastructure Partners Proprietary Limited (a management company to whom GAIA pays a management fee) shall subordinate all claims they have against GAIA FS in favour of RMBIA's claims against GAIA FS under the Finance Documents.

## **9 FINANCIAL EFFECTS OF THE NOBLESFONTEIN TRANSACTION AND SARGE TRANSACTION**

9.1 The net assets of Noblesfontein Wind Farm as at 31 December 2016 (being the date of the most recent annual financial statements) was c.R99 million:

9.1.1 EBITDA as at 31 December 2016 of c.R242.0 million.

9.1.2 Profit after tax as at 31 December 2016 of c.R2.3 million.

9.1.3 Aggregate distribution on shareholder loans as at 31 December 2016 of c.R70 million.

## **10 CONDITIONS PRECEDENT TO THE NOBLESFONTEIN TRANSACTION, GAIA FS PSSA AND THE SARGE TRANSACTION (COLLECTIVELY THE "TRANSACTIONS")**

The implementation of each Transaction is subject to the fulfilment, to the extent not already fulfilled, of the following salient conditions precedent:

10.1 the Noblesfontein Transaction regards GAIA, N1, SPV 1, GAIA FS, Roux Family Trust, SPV 2, Noblesfontein Wind Farm and Thebe Noblesfontein (which conditions precedent must be fulfilled by no later than 30 September 2017, or such later date as the parties may agree in writing):

- 10.1.1 approval of (1) the Transaction Documents, (2) Finance Documents. (3) ancillary documents to the Finance Documents, (3) the security and pledge agreements to which each of the Roux Family Trust, GAIA, N1, SPV 1, GAIA FS, SPV 2, Noblesfontein Wind Farm, Thebe Noblesfontein and the shareholders of GAIA, N1, SPV 1, GAIA FS, SPV 2, Noblesfontein Wind Farm, Thebe Noblesfontein are party to; and (4) the passing of such financial assistance resolutions as may be required by each of them (other than the Roux Family Trust) in terms of the Companies Act, 2008;
- 10.1.2 approval of the Transaction by the project lenders to the Project Company that financed the construction of the Noblesfontein Wind Farm;
- 10.1.3 N1 and Thebe Noblesfontein each have entered into a guarantee agreement with Diotrax whereby N1 guarantees all amounts owing to Diotrax (RF) Proprietary Limited ("**Diotrax**") by the Project Company pursuant to an indemnity agreement between Diotrax and the Project Company. Diotrax is a "Security Party" under the Project Company Senior Facility Finance Documents;
- 10.1.4 N1 and Thebe Noblesfontein each have entered into a pledge and cession agreement with Diotrax whereby N1 pledges the shares in and cedes the claims against the Project Company in favour of Diotrax as security for N1's obligations under the guarantee contemplated above;
- 10.1.5 approval of the Financial Surveillance Department of the South African Reserve Bank has been obtained in relation to the implementation of the transactions contemplated in the N1/ProjectCo Share Purchase Agreement and the N2/NMS Share Purchase Agreement (as defined in the Finance Documents);
- 10.1.6 N1 and Thebe Noblesfontein each have subordinated their claims against the Project Company in favour of the claims of the Lenders under the Project Company Senior Facility Finance Documents; and
- 10.1.7 the Facility Agent, as appointed by RMB under the Finance Documents, is satisfied that, notwithstanding the transactions contemplated in the Transaction Documents, the Vestas Parent Company Guarantee is legal, valid, binding and enforceable.
- 10.2 The effective date of the Noblesfontein Transaction will be on a date once the conditions precedent are fulfilled as confirmed between the parties to the Noblesfontein Transaction, being a date after the publication of this SENS but no later than 30 September 2017 or such later date as the parties may agree in writing.
- 10.3 GAIA FS PSSA (which conditions precedent must be fulfilled by no later than 30 September 2017, or such later date as the parties may agree in writing):
  - 10.3.1 the passing of financial assistance special resolutions as may be required in terms of the Companies Act;
  - 10.3.2 proof to the satisfaction of the Preference Share Agent (as defined in the GAIA FS PSSA) that the memorandum of incorporation has been amended as regards GAIA RE 1 Proprietary Limited ("**RE 1**") and Renewable Energy I Proprietary Limited ("**IK Company**");
  - 10.3.3 proof that the IK Option Agreement (as defined in the GAIA FS PSSA) has been amended; and
  - 10.3.4 evidence that Renewable Energy D Proprietary Limited ("**RED**") and RE 1 have consented to the entry into, by GAIA FS, of the necessary security pledge and cession agreements.
- 10.4 The effective date of the GAIA FS PSSA will be on a date once the conditions precedent are fulfilled as confirmed between the parties to the GAIA FS PSSA, being a date after the publication of this SENS but no later than 30 September 2017 or such later date as the parties may agree in writing.
- 10.5 the SARGE Transaction is subject to the fulfilment of the following conditions precedent (if the conditions precedent have not been fulfilled on or before 31 October 2017 or such later date as agreed to in writing between SARGE and GAIA FS, then GAIA FS will have no obligation to subscribe for the SARGE Preference Shares):
  - 10.5.1 the amendment of the memorandum of incorporation of SARGE such that a further (1) 999,000 ordinary shares; (2) 1 class A preference shares and 155,000 class B preference shares may be issued; and
  - 10.5.2 the approval by the board of SARGE of the SARGE Transaction.

10.6 The effective date of the SARGE Transaction will be on a date once the conditions precedent are fulfilled as confirmed between the parties to the SARGE Transaction, being a date after the publication of this SENS but no later than 31 October 2017 or such later date as the parties may agree in writing.

**Johannesburg**

19 September 2017

**Mandated Lead Financial Advisor to N1, N2 and SARGE**



**Financial Advisor and Sponsor to GAIA**



RAND MERCHANT BANK (A division of FirstRand Bank Limited)

**Legal Advisor to GAIA**

