GAIA
INFRASTRUCTURE CAPITAL

Reviewed condensed interim financial statements

for the six-month period ended 31 August 2017; cash dividend declaration and change in auditors

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Your Investment Partner

GAIA Infrastructure Capital Limited (Incorporated in the Republic of South Africa)
(Registration number 2015/115237/06) ISIN: ZAE000210555 Share code: GAI ("GAIA" or "the Company")

Salient features

Tangible NAV* per share
at **R10.24**

First interim cash dividend declaration
of **24.84** cents per share

Headline earnings per share
up 8% to **24.84** cents per share

Robust financial position with
net cash of **R56.7 million**

Total revenue **up 11%**
to **R23.3 million**

Dividend income received from
investments **up 100%** to **R13.3 million**

Strong pipeline of investment opportunities
in line with the investment policy

*** Net Asset Value pre-interim dividend payment.***

DIRECTORS' REPORT

The Board submits its report on the interim financial statements of the Company for the period ended 31 August 2017.

Financial commentary

On 20 December 2016, GAIA acquired through GAIA Financial Services Proprietary Limited ("**GAIA Financial Services**"), a wholly-owned subsidiary of the Company, an effective see-through economic interest of 25.2% in Dorper Wind Farm (RF) Proprietary Limited ("**Dorper**") for R501 million. The first flow of income from Dorper was received in January 2017.

GAIA's sources of revenue changed from earning only interest on cash to revenue generated from interest income, dividend income and capital appreciation. The Company's revenue for the six (6) months under review increased by 11% to R23.3 million compared to the prior period with dividend income of R13.3 million from GAIA Financial Services which in turn received income from the Company's underlying investment in Dorper. The Company earned interest income of R2.6 million over the reporting period (2016: R18.7 million) mainly from the Coronation Money Market Fund.

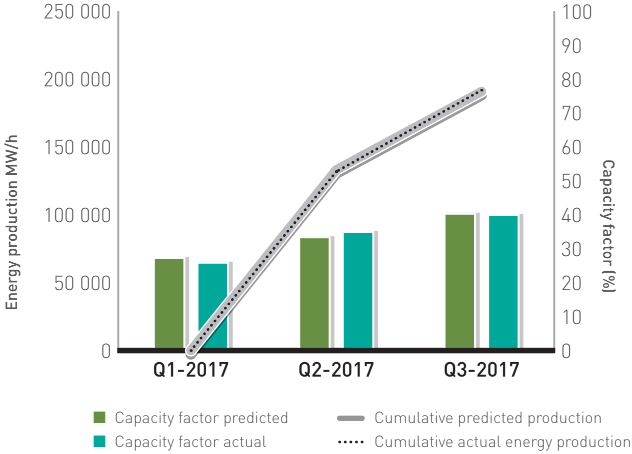
GAIA now operates as a fully-fledged investment holding company and is in the process of optimising its internal capacity to facilitate further growth. This led to the operating expenses increasing to R7.5 million (2016: R3.6 million). The Board of directors ("**the Board**") is satisfied that the increase in expenses is justified given the growth opportunities available to the Company.

The cash flows of GAIA's underlying assets are typically of a predictable nature, resulting in a dividend growth (CPI-linked) investment case. The Board has adopted a policy of aiming to declare dividends that increase consistently on an annual basis. In addition, the Board resolved to pay dividends on a semi-annual basis given the predictable flow of cash income throughout the year. Shareholders can therefore expect the Company's Tangible NAV to remain fairly stable.

Asset performance commentary

Dorper produced more electricity than expected for the reporting period due to a consistent wind resource and better than expected plant availability. The asset performance has been consistent with forecast figures on total electricity production for the period 1 January 2017 to 31 August 2017 and the average actual capacity factor was also consistent with the average forecast capacity factor at 33%.

Asset performance commentary *(continued)*



Dividend distribution

As at 28 February 2017, GAIA's Tangible NAV was R10.63 per share, following which a maiden dividend of 63.5 cents per share was declared and paid in May 2017. This reduced the Tangible NAV to R10.00 per share at the time. For this reporting six (6) months, the Company's earnings per share was 24.84 cents per share, thereby increasing the Tangible NAV to R10.24.

Notice is hereby given that the Board have declared an interim dividend of 24.84 cents (19.872 cents net of dividend withholding tax) per ordinary share for the period ended 31 August 2017. The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax.

The issued share capital at the declaration date is 55 151 000 ordinary shares.

The salient dates for the dividend will be as follows:

	2017
Last day of trade to receive a dividend	**Tuesday, 31 October**
Shares commence trading "*ex*" dividend	**Wednesday, 1 November**
Record date	**Friday, 3 November**
Payment date	**Monday, 6 November**

Dividend distribution *(continued)*

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 November 2017 and Friday, 3 November 2017, both days inclusive.

This interim dividend amounting to R13.7 million has not been recognised as a liability in these reviewed condensed interim financial statements. It will be recognised in shareholders' equity for the year ending 28 February 2018.

Change in external auditor

Shareholders are advised that in terms of paragraph 3.78 of the JSE Listings Requirements, the Board has resolved to terminate the services of KPMG Incorporated ("**KPMG**") as external auditor to the Company with effect from 31 October 2017. New external auditors will be appointed and announced in due course.

Following the recent reputational concerns regarding KPMG and after discussions with the external audit team on GAIA, the Board deemed it best to part ways with KPMG.

Changes to the Board

In accordance with paragraph 3.59(a) of the Listings Requirements of the JSE Limited, shareholders are advised that Mr Lumkile Mondi and Mr Thembani Bukula were appointed as independent non-executive directors to the Board of GAIA with effect from 1 June 2017.

Outlook

GAIA has a diversified pipeline of near-term investment opportunities for which it requires funding to execute. The Company will continue to engage with the capital markets to raise funding to enable execution of these value-accretive investments in accordance with the Company's investment mandate for the benefit of its shareholders. The strong investment pipeline yields above target investment return on a blended basis.

Events after the reporting period

On 19 September 2017 the Company issued a Securities Exchange News Service ("**SENS**") announcement notifying shareholders that GAIA Financial Services had acquired C Preference Shares in Business Venture Investments No. 3010 (Pty) Ltd ("**GAIA SPV**") for an aggregate subscription price of R130 million and, as a result, acquired an effective economic interest of 13.0% in the combined distributions linked to the ordinary shares and shareholder loan claims against Coria (PKF) Investments 28 (RF) (Pty) Ltd ("**Noblesfontein Wind Farm**"). In addition, GAIA Financial Services has entered into funding agreements with South African Renewable Green Energy (Pty) Ltd ("**SARGE**") whereby GAIA Financial Services will subscribe for A Preference Shares and B Preference Shares in SARGE for an aggregate subscription price of R57 493 127, (the "**SARGE Transaction**"). As a result of the SARGE Transaction, GAIA Financial Services will acquire a further effective economic interest of 7.03% of the distributions linked to the ordinary shares in the Noblesfontein Wind Farm.

GAIA Financial Services 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 RMB Investments and Advisory Proprietary Limited ("**RMBIA**") for an aggregate subscription price of approximately R188 million in terms of the GAIA Financial Services Preference Share Subscription Agreement.

Noblesfontein Wind Farm is a Round 1 Renewable Energy Independent Power Producer Procurement Programme ("**REIPPPP**") wind project 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. The wind farm achieved commercial operation date on 12 July 2014.

INTERIM STATEMENT OF FINANCIAL POSITION

as at 31 August 2017

	Note(s)	**Reviewed 31 August 2017 R**	Reviewed 31 August 2016 R	Audited 28 February 2017 R
Assets				
Non-current assets				
Financial assets at fair value through profit or loss	2	511 123 029	–	503 680 415
Current assets				
Trade and other receivables		1 715 466	–	–
Cash and cash equivalents		56 682 360	566 395 140	84 755 945
Loans to related parties		–	1 026	–
		58 397 826	**566 396 166**	**84 755 945**
Total assets		**569 520 855**	**566 396 166**	**588 436 360**
Equity and liabilities				
Equity				
Share capital		545 851 762	545 851 762	545 851 762
Retained income		18 912 920	16 726 993	40 233 870
		564 764 682	**562 578 755**	**586 085 632**
Liabilities				
Non-current liabilities				
Deferred tax		2 267 558	–	567 854
Current liabilities				
Trade and other payables		2 281 797	1 169 492	1 539 601
Loans from related parties		–	58 648	–
Current tax payable		206 818	2 589 271	243 273
		2 488 615	**3 817 411**	**1 782 874**
Total liabilities		**4 756 173**	**3 817 411**	**2 350 728**
Total equity and liabilities		**569 520 855**	**566 396 166**	**588 436 360**
Net asset value per share (Rand)		**10.24**	**10.20**	**10.63**

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended 31 August 2017

	Note(s)	**Reviewed six months ended 31 August 2017 R**	Reviewed six months ended 31 August 2016 R	Audited 12 months ended 28 February 2017 R
Interest income		2 569 975	18 646 925	33 039 564
Dividend income		13 282 512	–	15 562 635
Net gain from financial assets at fair value through profit or loss		7 442 614	2 402 562	5 082 978
Total revenue		**23 295 101**	**21 049 487**	**53 685 177**
Total operating expenses		**(7 549 963)**	**(3 595 982)**	**(8 798 612)**
Operating profit before finance costs		**15 745 138**	**17 453 505**	**44 886 565**
Finance costs		(1 236)	(4 473)	(5 088)
Increase in net assets attributable to ordinary shareholders before taxation		**15 743 902**	**17 449 032**	**44 881 477**
Taxation		(2 043 967)	(4 780 567)	(8 706 137)
Increase in net assets attributable to ordinary shareholders		**13 699 935**	**12 668 465**	**36 175 340**
Earnings per share				
Per share information				
Basic earnings per share (cents)	3	24.84	22.97	65.59
Diluted earnings per share (cents)	3	24.84	22.97	65.59

INTERIM STATEMENT OF CHANGES IN EQUITY

for the year period 31 August 2017

	Share capital R	Retained income R	Total equity R
Balance at 1 March 2016 – audited	**545 851 762**	**4 058 528**	**549 910 290**
Increase in net assets attributable to ordinary shareholders	–	12 668 465	12 668 465
Balance at 1 September 2016 – reviewed	**545 851 762**	**16 726 993**	**562 578 755**
Increase in net assets attributable to ordinary shareholders	–	23 506 877	23 506 877
Balance at 1 March 2017 – audited	**545 851 762**	**40 233 870**	**586 085 632**
Increase in net assets attributable to ordinary shareholders	–	13 699 935	13 699 935
Dividends	–	(35 020 885)	(35 020 885)
Balance at 31 August 2017 – reviewed	**545 851 762**	**18 912 920**	**564 764 682**

INTERIM STATEMENT OF CASH FLOWS

for the period ended 31 August 2017

	Reviewed six months ended 31 August 2017 R	Reviewed six months ended 31 August 2016 R	Audited 12 months ended 28 February 2017 R
Cash flows from operating activities			
Cash generated by operations	9 044 720	14 502 551	39 625 306
Finance costs	(1 236)	(4 473)	(5 088)
Tax paid	(380 718)	(1 365 739)	(7 069 452)
Net cash generated by operating activities	**8 662 766**	**13 132 339**	**32 550 766**
Cash flows from investing activities			
Investment in financial asset at fair value through profit or loss	–	–	(501 000 000)
Proceeds from disposal of financial assets	–	551 445 066	551 445 066
Net cash generated by investing activities	**–**	**551 445 066**	**50 445 066**
Cash flows from financing activities			
Dividends paid	(35 020 885)	–	–
Repayment of related-party loans	–	(529 444)	(587 066)
Prepayment of share issue expenses	(1 715 466)	–	–
Net cash used in financing activities	**(36 736 351)**	**(529 444)**	**(587 066)**
Total cash movement for the period	**(28 073 585)**	**564 047 961**	**82 408 766**
Cash at the beginning of the period	84 755 945	2 347 179	2 347 179
Total cash at the end of the period	**56 682 360**	**566 395 140**	**84 755 945**

ACCOUNTING POLICIES

Corporate information

The Company was incorporated on 16 April 2015 and successfully listed as a Special Purpose Acquisition Company ("SPAC") on the Main Board of the JSE Limited ("JSE") on 12 November 2015. The Company is focused on acquiring equity stakes in emerging Southern African infrastructure assets, specifically in the energy, transport and water and sanitation sectors. The Company aims to be a leading investment holding company of infrastructure assets in South Africa. The Company's investment philosophy is to invest in infrastructure assets that are operational or near operational, offer low risk and yield inflationary linked returns.

On listing, the Company issued 55 151 000 shares at R10 per share, thereby raising R551.5 million. A SPAC is a special purpose vehicle established for facilitating the primary capital raising process to enable the acquisition of viable assets in pursuit of a listing on the JSE.

The Company invests substantially all its assets through its wholly owned subsidiary GAIA Financial Services. The two companies have the same investment objectives.

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim financial statements are set out below.

1.1 Basis of preparation

The interim financial statements are prepared in accordance with International Financial Reporting Standard ("IAS") 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

The interim financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1. Summary of significant accounting policies *(continued)*

1.1 Basis of preparation *(continued)*

The financial statements have been prepared on the fair value basis, except for other assets. Liabilities and equity are stated at historic cost. The functional and presentation currency is the South African Rand.

The preparation of the interim financial statements for the six months ended 31 August 2017 was supervised by the financial director Tamee Soudien-Witten.

The interim financial statements have been reviewed by KPMG Inc., which issued an unmodified report which is available for inspection at the registered address of GAIA Infrastructure Limited.

The directors take full responsibility for the preparation of the interim financial statements.

	Reviewed six months ended 31 August 2017 R	Audited 12 months ended 28 February 2017 R
2. Financial assets at fair value through profit or loss		
At fair value through profit or loss – designated		
GAIA Financial Services (Pty) Ltd	511 123 029	503 680 415

The Company funded the acquisition of its effective see-through economic interest of 25.2% of Dorper, through a R501 million loan to GAIA Financial Services. The loan was financed using the proceeds from the partial disposal of the Company's unit trust investment. This loan is interest-free, unsecured and has no fixed terms of repayment.

The Dorper Acquisition was concluded on 20 December 2016. The residual capital is held in a money market fund.

The acquisition entailed the subscription for the ordinary shares in GAIA RE 1 equal to 34.9% (R265 036 179) economic and voting interest of the issued share capital and the advancing of a convertible loan (R235 963 821) to GAIA RE 1 which will effectively give the Company an economic interest of 84.2% in GAIA RE 1.

The convertible loan may be settled in one of two ways, which could potentially trigger the acquisition of minority interest in three (3) additional renewal energy projects by the Group or the conversion of the convertible loan into additional ordinary shares in GAIA RE 1. The option may be exercised no later than 31 March 2018 unless all parties agree otherwise.

GAIA RE 1 holds 30% of the issued share capital in Dorper, the 84.2% economic interest in GAIA RE 1 equates to a 25.2% effective see-through economic interest in Dorper.

	Reviewed six months ended 31 August 2017 R	Audited 12 months ended 28 February 2017 R
Non-current assets		
Designated as at fair value through profit or loss	511 123 029	503 680 415

2. Financial assets at fair value through profit or loss *(continued)*

Fair value estimation

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on observable market data. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation of underlying renewable assets

The value of the investment in the ordinary shares of Dorper was determined using the discounted cash flow valuation model. Assumptions and inputs used in valuation techniques include long-term CPI forecast and determination of an investor premium used in estimating discount rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the prices that would be received to sell the investment in Dorper in an orderly transaction between market participants at the measurement date.

The Company uses a valuation model that was developed by an experienced independent third party during the bidding process for the rights of the project. This model has been developed from recognised valuation models and the developer's experience regarding the valuation of renewable energy projects.

Some of the significant inputs into the discounted cash flow model may not be observable in the market and are derived from market prices or rates or are based on assumptions. This valuation model therefore requires more management judgement and estimation in determination of fair value.

In the valuation for the investment in Dorper management's judgement and estimation is required for:
- selection of the appropriate valuation model to be used, in this case the discounted cash flow model;
- assessment and determination of the expected cash flows from the investment in Dorper; and
- selection of the appropriate discount rate.

2. Financial assets at fair value through profit or loss *(continued)*

Valuation of underlying renewable assets *(continued)*

The fair value estimate obtained from the discounted cash flow model will only be adjusted for factors such as liquidity risk and model uncertainty to the extent that the Company believes that a third-party market participant would take them into account in pricing a transaction. No such adjustments were deemed necessary in the valuation of the investment in Dorper.

The Company has an established control framework with respect to the measurement of fair values. Specific controls include:

- verification of observable pricing inputs;
- a review and approval process for new models and changes to such models;
- analysis and investigation of significant valuation movements; and
- review of unobservable inputs and valuation adjustments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

	Reviewed six months ended 31 August 2017 R	Audited 12 months ended 28 February 2017 R
Level 3		
GAIA Financial Services (Pty) Ltd	511 123 029	503 680 415

As at 31 August 2017, the fair value measurement of shares held by the Company in GAIA Financial Services is categorised into Level 3. The fair value of investments in its 100% subsidiary is determined using unadjusted net asset value of GAIA Financial Services at the reporting date.

Reconciliation of financial assets at fair value through profit or loss measured at Level 3

	Opening balance	**Gains in profit or loss**	**Total**
GAIA Financial Services (Pty) Ltd	503 680 415	7 442 614	511 123 029

The change in unrealised gains or losses (net gain) for the period is included in profit or loss for financial assets held at the reporting date. These gains and losses are recognised in profit or loss as a net gain from financial instruments at fair value through profit or loss.

2. Financial assets at fair value through profit or loss *(continued)*

Sensitivity of fair value measurement to changes in unobservable inputs

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on net assets.

Valuation technique	Significant unobservable inputs	Range of estimates for unobservable inputs	Sensitivity to changes in significant unobservable inputs	**1% decrease in unobservable input**	**1% increase in unobservable input**
Discounted cash flow	Discount rate	12.92% (28 February 2017: 12.92%)	The estimated fair value would increase if the discount rate decreased	17 080 881	(15 323 711)

Significant unobservable inputs used in measuring fair value

Significant unobservable inputs are developed as follows:

Discount rate

Represents the rate used to discount projected levered or unlevered forecast cash flows for an asset to determine their present values. Their discounted present value cash flows are determined as their fair value at reporting date. GAIA RE 1 uses a discount rate that appropriately captures Dorper's stage-of-life, using South African data, substantiated by international findings.

3. Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Profit or loss attributable to the ordinary equity holders is determined as profit or loss after adjusting for the tax effect.

	Reviewed six months ended 31 August 2017 R	Reviewed six months ended 31 August 2016 R	Audited 12 months ended 28 February 2017 R
Basic earnings per share			
From continuing operations (cents per share)	24.84	22.97	65.59

3. Earnings per share *(continued)*

Basic earnings per share *(continued)*

Basic earnings per share was based on earnings of R13 699 935 (2017: R36 175 340) and weighted average number of ordinary shares of 55 151 000 (2017: 55 151 000).

	Reviewed six months ended 31 August 2017 R	Reviewed six months ended 31 August 2016 R	Audited 12 months ended 28 February 2017 R
Reconciliation of profit for the period to basic earnings			
Profit for the period attributable to equity holders of GAIA Infrastructure Capital Ltd	13 699 935	12 668 465	36 175 340
Diluted earnings per share			
In the determination of diluted earnings per share, profit or loss attributable to the equity holders and the weighted average number of ordinary shares are adjusted for the effects of all dilutive potential ordinary shares.			
From continuing operations (cents per share)	24.84	22.97	65.59

Diluted earnings per share is equal to earnings per share because there are no dilutive potential ordinary shares in issue.

Headline earnings and diluted headline earnings per share

Headline earnings per share is calculated using Circular 2/2015. The calculation of headline earnings per ordinary share is based on the weighted average of 55 151 000 (2017: 55 151 000) ordinary shares in issue during the year, and headline earnings calculated as follows:

Headline earnings per share and diluted headline earnings per share are determined by dividing headline earnings and diluted headline earnings by the weighted average number of ordinary shares outstanding during a period.

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and diluted earnings by excluding separately identifiable remeasurement items. Headline earnings and diluted headline earnings are presented after tax and non-controlling interest.

3. Earnings per share *(continued)*

Headline earnings and diluted headline earnings per share *(continued)*

	Reviewed six months ended 31 August 2017 R	Reviewed six months ended 31 August 2016 R	Audited 12 months ended 28 February 2017 R
Headline earnings per share (cents)	24.84	22.97	65.59
Diluted headline earnings per share (cents)	24.84	22.97	65.59
Reconciliation between earnings and headline earnings			
Basic earnings	13 699 935	12 668 465	36 175 340
Reconciliation between earnings and headline earnings			
Diluted earnings	13 699 935	12 668 465	36 175 340

4. Prior period restatements and reclassifications

In the comparative period, cash and cash equivalents excluded the Coronation Money Market Fund previously disclosed as part of investments in the statement of financial position and not included in the statement of cash flows. This has been disclosed in the 2017 interim results and the 2016 interim comparative reclassified accordingly.

These reclassifications had no impact on the previously reported profit, retained income and financial position of the Company.

4. Prior period restatements and reclassifications *(continued)*

The reclassifications are set out below:

	Balance previously stated	Reclassifi-cation	Restated comparative balance
Statement of financial position			
Financial assets	565 607 644	(565 607 644)	–
Cash and cash equivalents	787 496	565 607 644	566 395 140
Statement of cash flows			
Cash used in operations	(4 144 374)	18 646 925	14 502 551
Investment income	18 646 925	(18 646 925)	–
Net cash from operating activities	**14 502 551**	**–**	**14 502 551**
Proceeds from disposal of financial assets	4 470 000	546 975 066	551 445 066
Investment income reinvested	(18 632 578)	18 632 578	–
Net cash from investing activities	**(14 162 578)**	**565 607 644**	**551 445 066**

16 October 2017

Johannesburg

Financial Advisor and Sponsor to GAIA

Rand Merchant Bank (A division of FirstRand Bank Limited)

Company contact details

Prudence Lebina

+27 11 684 1230

prudence@gaia.group

GENERAL INFORMATION

Country of incorporation and domicile
South Africa

Directors
Eddie Mbalo
Leon de Wit
Nathiera Kimber
Prudence Lebina
Lumkile Mondi
Clive Ferreira
Botha Schabort
Tamee Soudien-Witten
Mich Nieuwoudt
Thembani Bukula
Sisanda Tuku

Registered office
37 Vineyard Road
Claremont, 7708

Business address
37 Vineyard Road
Claremont, 7708

Bankers
FirstRand Bank Ltd

Auditors
KPMG Inc
Chartered Accountants (SA)
Registered Auditors

Secretary
Fusion Corporate Secretarial Services

Company registration number
2015/115237/06

Tax reference number
9473/844/17/4

Level of assurance
These interim financial statements have been voluntarily reviewed as there are no regulatory requirements imposing an interim review on the entity.

Preparer
The interim financial statements were compiled under the supervision of: Tamee Soudien-Witten Chartered Accountant (SA).