

Mahube Infrastructure Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2015/115237/06)
ISIN: ZAE000290763
JSE code: MHB
("Mahube" or the "Company")



MANAGEMENT RESTRUCTURE TRANSACTIONS BETWEEN RELATED PARTIES AND AMENDMENT OF THE INVESTMENT POLICY WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Shareholders are referred to the detailed further cautionary announcements published on SENS on 22 February and 6 April 2022 (the "**Previous Announcements**"), wherein they were advised that Mahube had embarked on certain initiatives to restructure and recapitalise its business and had commenced the implementation of the capital restructure of its wholly owned asset holding subsidiary, Mahube Capital Fund 1 (RF) Proprietary Limited ("**Subco**").

As part of this initiative the board of directors of Mahube (the "**Board**") has now further resolved to restructure the investment and corporate management functions of its business, *inter alia*, by investment in, and capitalisation of, a fund manager in accordance with the requirements for a black private equity manager (the "**Black Fund Manager**") as set out in the Amended Financial Sector Code, 2017 (the "**Code**"). The investment and capitalisation of the Black Fund Manager will be implemented by means of a subscription and shareholders agreement (the "**Subscription Agreement**") and the conclusion of a corporate and investment management agreement with that Black Fund Manager (the "**Management Agreement**") (collectively, the "**Management Restructure Transactions**").

The Board has also resolved to seek approval for the revision of the investment policy of the Company to align the investment policy with the strategy that it is pursuing. Lastly, the Board has resolved to defer the proposed distribution *in specie* of the N Shares, together with the alternative offer to elect to receive ordinary shares in the capital of Mahube in *lieu* of such distribution (together the "**Capital Restructure Transaction**"). The details of the Management Restructure Transactions, amendment of the investment policy and the Capital Restructure Transaction are set out below.

2. CAPITALISATION OF BLACK FUND MANAGER AND SUBSCRIPTION AGREEMENT

Mahube has concluded the Subscription Agreement, subject to Shareholder approval as detailed in paragraph 9 below, to capitalise Mahube Asset Management Proprietary Limited ("**Manco**") and establish it as a Black Fund Manager. Manco, currently a dormant wholly owned subsidiary of Mahube, was recently licensed as a category II financial services provider by the Financial Services Conduct Authority.

In terms of the Subscription Agreement, Manco will issue and allot ordinary shares in its share capital as follows:

- 38 ordinary shares to Mahube for a cash consideration of R760 000 (Mahube previously acquired 6 ordinary shares in Manco, for a cash consideration of R105 000);
- 44 ordinary shares to Encha Infrastructure Investments Proprietary Limited ("**Encha**"), the chosen strategic partner in Manco, for a cash consideration of R880 000;
- 8 ordinary shares to Matlotleng Properties Proprietary Limited ("**Matlotleng**"), which is controlled by Gontse Moseneke, the Chief Executive Officer of Mahube, for a cash consideration of R160 000; and
- 4 ordinary shares to Petro Lewis, the Financial Director of Mahube ("**Lewis**"), for a cash consideration of R80 000.

Encha is a subsidiary of Encha Group Proprietary Limited ("**Encha Group**"), is wholly owned by Black Persons and controlled by Messrs Tiego and Sedise Moseneke. Encha Group was established in 2005 and is an investment house with an established track record of building businesses and unlocking value for its investors, shareholders, and partners. It is active in various sectors of the South African economy, including real estate, energy, technology, healthcare, and mining, and has extensive experience in the listed and unlisted capital markets in South Africa and abroad.

Following implementation of the Subscription Agreement the majority of Manco's issued shares will therefore be owned by black owned companies, namely Encha and Matlotleng, so that Manco will satisfy the shareholding and voting requirements for a Black Fund Manager.

The salient terms of the Subscription Agreement are, *inter alia*, as follows:

- 2.1 The Subscription Agreement is subject to, *inter alia*, the suspensive condition of shareholder approval as detailed in paragraph 9 below ("**Suspensive Condition**"). The subscription date shall be the date 3 business days after fulfilment of the Suspensive Condition ("**Subscription Date**").
- 2.2 The business of Manco shall be to manage and operate the corporate affairs and investment activities of its clients, as well as to make investments in its own name as principal.
- 2.3 Manco's objectives, as the fund manager of Mahube shall be to:
 - 2.3.1 expand the listed share capital of Mahube to R2 billion or more by the end of February 2025.
 - 2.3.2 diversify the assets in which Mahube invests.
- 2.4 Encha shall assist Manco in raising at least R500 million listed equity capital in Mahube and a further R500 million unlisted equity capital and shall introduce Manco to, and shall assist Manco in closing, a range of infrastructure transactions that shall contribute to the diversification of the Company's asset base, by the end of February 2025.
- 2.5 Mahube shall have the right, but shall not be obliged, to invest in up to 50% of the infrastructure transactions that Manco offers to any of its clients.
- 2.6 All parties to the Subscription Agreement shall reasonably endeavour to ensure that Manco qualifies as a Black Fund Manager and retains this status at all times.
- 2.7 Failure by either Mahube and/or Encha to perform any of its obligations shall constitute a breach of the terms of the Subscription Agreement, which may be remedied by a forced sale of the defaulting party's shareholding in Manco to the non-defaulting shareholders.
- 2.8 Manco shall introduce a staff incentive scheme, to be administered through a trust, that will be

utilised to provide short term incentive benefits and long term incentive benefits for qualifying employees of Manco from its profits.

- 2.9 The memorandum of incorporation of Manco, together with the shareholders agreement that forms part of the Subscription Agreement, contain joint control provisions to protect Mahube's investment in Manco, this is achieved through various reserved matters which require the approval of Mahube as shareholder and through Mahube's right to nominate individuals to act as non-executive directors of Manco.

3. MANAGEMENT AGREEMENT

Mahube has further concluded the Management Agreement in terms of which, subject to Shareholder approval as detailed in paragraph 9 below, Mahube will become one of the first clients of Manco. The Management Agreement sets out the terms and conditions on which Manco will render a range of investment management, corporate management and administrative services to Mahube and its subsidiaries (the "**Management Services**").

The salient details of the Management Agreement, some of which are underpinned by the terms of the Subscription Agreement, and the Management Services are, *inter alia*, as follows:

- 3.1 The Management Agreement shall become effective from the first day of the calendar month following the Subscription Date (the "**Effective Date**").

- 3.2 Manco shall, *inter alia*: -

- employ such personnel as may be required to conduct the business of Mahube, including the persons that Manco will nominate to fulfil the functions of Chief Executive Officer and Financial Director of Mahube;
- advise Mahube in respect of originating, evaluating, structuring, negotiating, managing and monitoring investments, reinvestment and divestment opportunities, in line with Mahube's investment policy.
- analyse, investigate and advise on the potential opportunities for Subco to divest from invested interests.
- manage the investments held in Subco and represent Subco's interests on the boards of directors of the underlying portfolio entities;
- raise new listed equity capital on behalf of Mahube and expand its listed share capital to at least R2 billion; and
- deploy this new equity capital into qualifying assets to achieve a minimum diversification of the asset base of Mahube by the end of February 2025.

- 3.3 The consideration for the Management Services shall be a management fee (the "**Management Fee**") of:

- R1 050 000 (exclusive of VAT) per month during the first 36 months from the Effective Date; and
- an annualised 0.8% of the consolidated total issued capital of Subco and Mahube Infrastructure Investment 1 (RF) (Pty) Ltd ("**Investco**") (exclusive of VAT), calculated daily

and payable monthly, from month 37 after the Effective Date.

- 3.4 A capital raising fee of 1% (exclusive of VAT) of the amount of capital raised shall be payable by Mahube to Manco in respect of successful capital raising and the expansion of Mahube's listed equity capital.
- 3.5 Failure by Manco to maintain its status as a Black Fund Manager for the duration of the Management Agreement, shall constitute a breach thereof.
- 3.6 Manco's performance of its contracted services will be subject to review by Mahube on an annual basis.

4. AMENDMENT OF THE INVESTMENT POLICY

The Board has resolved to amend the current investment policy of the Company to align it with the revised strategy for the Company's business. The revised strategy is intended to create and unlock value in the Company by growing its asset and capital base, for the benefit of Shareholders. The amendments to the Company's investment guidelines and investment policy are, *inter alia*, as follows:

- 4.1 The investment objective of the Company is to provide investment returns that are characterised by:
 - predictable and regular cash flows generated from infrastructure assets;
 - Investment in the long-term ownership and operation of infrastructure assets; and
 - capital growth from rendering disruptive solutions to infrastructure-related market inefficiencies.

The Company's investment decisions will be guided by the following policies (the "**Investment Policy**"):

- 4.2 The Company will invest (both directly and indirectly) in infrastructure-related businesses that operate in markets on the African continent, with a preference for businesses headquartered in South Africa and in other select countries across Africa, where the Company is able to adequately manage the attendant risks.
- 4.3 Whilst the Company is agnostic as to economic sector of exposure, the Company will emphasise investment in infrastructure-related businesses with activities predominantly in the following sectors: energy and power, transport and logistics, water and sanitation, digital media and communications.
- 4.4 The Company targets investments with an initial commitment of not less than R50 million, provided that while the Company's investment exposure has not yet reached R50 million, the Company must be able to exercise at least joint-control of the target business.
- 4.5 For each investment, the Company determines a target return that is commensurate with the risks attendant to the investment, provided that the target return shall never be less than an annualised real return of 6% (six percent), with the Company able to invest in debt instruments and preference shares to complement its primary investment in equity securities.
- 4.6 Under normal conditions, the Company's exposure to infrastructure assets that are in operation, or are less than 6 months from commercial operation date, will be no less than 75% of the Company's net asset value.
- 4.7 The Company may temporarily invest in cash and other short-dated securities (e.g. South African government bonds or other similar low risk instruments) for liquidity and cash management purposes.

5. DEFERMENT OF FINALISATION OF CAPITAL RESTRUCTURE TRANSACTION

The purpose of the Capital Restructure Transaction, which will be subject to Shareholder approval, is to enable Shareholders to elect the extent of their investment exposure to the investment activities of Mahube going forward, compared to the profits earned on the asset base held in Subco. Mahube's goal is to garner the requisite Shareholder support to enable it to expand its share capital by the issue of new ordinary shares.

The Board has resolved to defer the finalisation of the Capital Restructure Transaction until such time as the Company seeks the requisite approval from Shareholders to raise new equity capital. This will place Shareholders in a position to consider the terms for any proposed equity capital raise, prior to making an election on the Capital Restructure Transaction.

6. BACKGROUND OF MAHUBE

Mahube is an infrastructure investment entity, which listed on the JSE Limited ("**JSE**") in November 2015 as a special purpose acquisition company with initial equity raised of R550 million. Mahube transferred to the Investment Services sector of the Main Board of the JSE in January 2017 upon completion of the acquisition of an effective 25.2% equity interest in the Dorper Wind Farm. To date, Mahube has conducted its investment activities via its subsidiary special purpose vehicles, Subco and Investco, with Subco being the primary entity holding Mahube's assets.

Mahube is currently invested in five renewable energy independent power producing assets in South Africa – two wind farms and three solar photovoltaic farms. The project companies that own these assets were licensed by the Department of Mineral Resources and Energy in bid window one (four assets) and bid window two (one asset) of the Renewable Energy Independent Power Producer Procurement Programme (the "**REIPPPP**"), to supply electricity to Eskom.

7. RATIONALE OF THE MANAGEMENT RESTRUCTURE TRANSACTIONS AND AMENDMENT OF THE INVESTMENT POLICY

The Management Restructure Transactions are aligned with the Board's revised strategy and are intended to deliver, *inter alia*, the following benefits for Mahube and Shareholders:

- 7.1 Mahube has identified the need to improve its access to pools of capital and to deal opportunities that are sensitive to Black Economic Empowerment ("**BEE**") credentials, enabling the Company to access and fund opportunities that offer attractive value. The Board has concluded that contracting a Black Fund Manager to manage Mahube's business activities, will assist in establishing the Company as a credible, black-controlled entity, attractive to allocators of capital. Consequently, Mahube's interests in infrastructure assets will qualify as Black shareholding, in accordance with the Code, thus expanding opportunities accessible by the Company.
- 7.2 The Board is of the opinion that an investment in the establishment of Manco, the retention of the significant minority equity interest in Manco and the governance obligations imposed on Manco assures the Company of a measure of control and a share in its profits, that it would not enjoy should it contract an independent third-party Black Fund Manager.
- 7.3 In terms of the Management Agreement the expense burden relating to the management of the

corporate activities and investment activities of Mahube, Subco and Investco, will be reduced. The Management Fee payable during the first 36 months of the Management Agreement compares favourably with the expense items currently ordinarily incurred by the Company and from month 37 onwards management fees will be materially less than expenses currently anticipated to be incurred.

7.4 The primary objective of the challenging financial and non-financial targets set for Manco in the Management Restructure Transactions is to improve the quality of the earnings of the Company, by growing and diversifying its investments beyond the REIPPPP, during the period to the end of February 2025.

7.5 The Company has identified Encha, a company with impeccable corporate and social credentials, as its strategic partner in Manco. The Board believes Encha will be able to deliver on its obligations in terms of the Subscription Agreement and has stipulated appropriate safeguards to ensure appropriate remedies in the event of non-performance by Encha.

7.6 The proposed amendment of the Investment Policy will enable the Company to implement its refreshed strategy.

8. SUSPENSIVE CONDITION

Implementation of the Management Restructure Transactions and amendment of the Investment Policy of Mahube remains subject to the fulfilment of the suspensive condition that it be approved by Shareholders in a general meeting as detailed in paragraph 9 below.

9. RELATED PARTY CONSIDERATIONS, FAIRNESS OPINION AND GENERAL MEETING OF SHAREHOLDERS

The JSE has classified the conclusion of the Subscription Agreement and the Management Agreement as a related party transaction, on an aggregated basis, pursuant to paragraph 10.2 of the JSE Listings Requirements, based on its assessment of the vested interests of Encha, Matlotleng and Lewis (collectively, the “**Related Parties**”). As such, the subscription consideration payable by Mahube pursuant to the Subscription Agreement, together with the value of the Management Fee payable by Mahube to Manco in terms of the Management Agreement, are aggregated and categorised as a Related Party transaction in terms of paragraph 10.4 of the Listings Requirements. The Management Restructure Transactions will therefore be subject to the approval by a majority of Shareholders (other than the Related Parties and their associates), present at a general meeting and entitled to vote, of an ordinary resolution to this effect.

The independent board of directors of Mahube, comprising all directors of the Company, other than Gontse Moseneke and Petro Lewis, has appointed Ernst & Young Advisory Services Proprietary Limited as the independent expert to advise as to the fairness insofar as Shareholders are concerned, of the terms of the Subscription Agreement and the Management Agreement and thus the Management Restructure Transactions.

The amendment of the investment policy is subject to the approval by a majority of Shareholders, present at a general meeting and entitled to vote, of an ordinary resolution in terms of paragraph 15.7 of the JSE Listings Requirements.

A circular, containing full details of the Management Restructure Transactions, the financial effects thereof and the amendment of the investment policy, including, *inter alia*, the fairness opinion of the independent expert and a notice convening a general meeting of Shareholders will be sent to Shareholders in due course.

10. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are advised that, having regard to the information in this announcement and the Previous Announcements, they are no longer required to exercise caution when dealing in the Company's shares.

Johannesburg
9 June 2022

Legal Advisor
DLA Piper

Corporate Advisor
BSM Advisory Proprietary Limited

Sponsor
Questco Corporate Advisory Proprietary Limited