

GRIT REAL ESTATE INCOME GROUP LIMITED

(previously known as Mara Delta Property Holdings Limited)

(Registered by continuation in the Republic of Mauritius)

(Registration number: C128881 C1/GBL)

SEM share code: DEL.N0000

JSE share code: GTR

ISIN: MU0473N00036

(“Grit” or “the Company”)



UPDATE REGARDING EMPOWERMENT RELATED PARTY TRANSACTION CONCLUDED BY GRIT

1. Introduction

- 1.1. Shareholders of Grit are referred to the announcement released by the Company on the Stock Exchange News Service of the JSE Limited (“JSE”) and the website of the Stock Exchange of Mauritius Ltd (“SEM”) on 12 September 2017 relating to inter alia the put option agreement entered into between Grit and the Government Employees Pension Fund in South Africa (“GEPF”) represented by the Public Investment Corporation Limited (“PIC”) (“Put Option Agreement”), in terms of which Grit agreed to limit the GEPF’s exposure under a contingent repurchase obligation provided by the GEPF to Bank of America, N.A. (“BoAML”) (“CRO”) by granting the GEPF an irrevocable and unconditional option to require Grit, on the occurrence of a put option event under the Put Option Agreement, to purchase from the GEPF 50% of all amounts due to BoAML under the CRO up to a maximum of USD17 500 000 (“Original Transaction”).
- 1.2. Shareholders are hereby advised that the parties to the Original Transaction have entered into a guarantee agreement on 11 December 2017 (“Guarantee Agreement”), in terms of which the parties inter alia agreed to terminate the Put Option Agreement and in terms of which Grit now provides the GEPF with an irrevocable and unconditional guarantee for 50% of all losses suffered by the GEPF following the occurrence of a trigger event under the agreement recording the CRO (“CRO Agreement”) after the GEPF has enforced all of the underlying security granted to the GEPF by Drive in Trading Proprietary Limited (“Drive in Trading”) (as security for the obligations assumed by GEPF under the CRO Agreement, Drive in Trading pledges its rights, to its Grit shares in favour of GEPF (“Pledged Shares”)) for the obligations assumed by the GEPF under the CRO Agreement (“Revised Transaction”), subject to a maximum liability of 50% of the all amounts due by Drive in Trading to BoAML, limited to USD17 500 000 (“Guaranteed Amount”). The background to the Original Transaction, as contained in the 12 September 2017 announcement remains the same for the Revised Transaction.

2. Rationale for the Revised Transaction

Grit is committed to supporting the underlying economies of its operations and to being a responsible corporate citizen of these economies in Africa. As a large portion of Grit's shareholders and debt financiers are based in South Africa, and Grit is listed on the main board of the JSE, it is imperative that the Company abides by the principles of Black Economic Empowerment (“BEE”) in South Africa. Accordingly, in partnership with the PIC, Grit wishes to implement the Revised Transaction in order to ensure a long term sustainable funding solution for its BEE partner, Drive in Trading.

3. Guarantee Amount and Guaranteed Obligations

- 3.1. Should a trigger event under the CRO Agreement occur and the enforcement of the CRO is triggered by BoAML, the Guarantee Amount is to be paid by Grit into a cash collateral account held by the GEPF upon receipt of a written demand from the GEPF.
- 3.2. Grit shall be required to maintain the cash collateral account with a minimum balance equal to 50% of the total facility liabilities as contemplated in the CRO Agreement, subject to a maximum of USD17 500 000.

- 3.3. Following the enforcement and realisation of the Pledged Shares, the actual guaranteed obligations payable by Grit to the GEPF shall be calculated as 50% of the actual total facility liabilities as contemplated in the CRO Agreement less the net proceeds of all amounts received pursuant to the sale or other realisation of the Pledged Shares plus the costs of enforcement incurred by the GEPF ("**Guarantee Obligation**").
- 3.4. Grit shall be required to pay the Guarantee Obligations, following the determination of same. Payment of the Guarantee Obligations in terms of the Guarantee Agreement will be settled by netting the Guarantee Obligations off against the balance in the cash collateral account.

4. **Conditions Subsequent**

- 4.1. The Revised Transaction is subject to the condition subsequent that, by no later than 120 business days commencing on (and including) 18 August 2017, Grit procures unconditional shareholder approval for entering into the Guarantee Agreement, up to a maximum liability of USD17 500 000.
- 4.2. If the condition in paragraph 4.1 is not fulfilled, then the Guarantee Agreement will remain in full force and effect, save that Grit's maximum liability in terms of the Guarantee Agreement shall be limited to USD12 500 000, being equal to or less than 4.9% of Grit's USD market capitalization on the business day immediately preceding the date on which the Guarantee Agreement was concluded.

5. **Other Material Terms of the Revised Transaction**

The obligations of Grit in terms of the Guarantee Agreement shall commence on the date of signature of the Guarantee Agreement and shall continue in full force and effect until the date on which the PIC notifies Grit that all sums due from Grit in respect of the total facility liabilities as contemplated in the CRO Agreement have been paid in full, and all other actual or contingent liabilities or payment obligations of Grit thereunder or in respect thereof have been satisfied and fully and finally discharged.

6. **Financial Effects**

- 6.1. Should Grit receive a notice to fund the cash collateral account in terms of the Guarantee Agreement from the GEPF, Grit will cash collateralize 50% of the total financial liability at the date of notification up to a maximum amount of USD17 500 000. The Guarantee Obligation to the GEPF will be crystallized following the sale of Pledged Shares. As at the date of this announcement, a trigger event under the CRO Agreement has not occurred and accordingly there is no entitlement on the part of BoAML to enforce its rights under the CRO.
- 6.2. The impact on the statement of financial position of Grit as at 30 June 2017 has been calculated as the net position following:
- 6.2.1. the total financial liability is assumed to be the BoAML loan amount of USD33,400,000, less cash held by Drive in Trading (USD92,000), resulting in net debt of USD33,308,000. 50% of the portion of the total financial liability, being USD16,654,000 is recognised and accounted for by Grit, being the Guarantee Amount;
- 6.2.2. recognition of a financial asset measured at fair value through profit or loss, being the amount receivable should GEPF dispose of the Pledged Shares. This will be re-measured at the closing share price of Grit as at each reporting date. On 11 December 2017, Grit's share price on the SEM was USD 1.35, resulting in the recognition of a financial asset of USD15,693,750; and
- 6.2.3. accordingly, the net effect on the pro-forma statement of financial position is USD960,250, being a reduction of the net asset value.
- 6.3. The loss is recognised directly in the statement of comprehensive income, as it is a financial instrument recognised through profit and loss.

6.4. The costs incurred in entering into the Guarantee Agreement are regarded as sunk costs and as such have not been included in the above analysis. These costs are expected to be c. USD106,500 (USD103,290 after tax) and relate to professional services.

The full pro forma financial effects of the Revised Transaction will be contained in the circular that will be distributed to shareholders in due course.

7. Categorisation of the Revised Transaction

The Revised Transaction has been deemed to be a related party transaction by the JSE and accordingly requires the approval of the shareholders of Grit.

The Revised Transaction is also deemed to be a related party transaction by the SEM but requires no shareholders' approval. Following representations made by Grit, the Listing Executive Committee of the SEM had approved the related party transaction amounting to USD17 500 000, subject to the Company filing a copy of the relevant signed agreements relating to the Revised Transaction upon execution and also including details of the Revised Transaction in Grit's next published Annual Report, including identities of the related parties and the value of the consideration for the Revised Transaction.

By order of the Board

12 December 2017

JSE sponsor and transaction advisor to
Grit



SEM authorised representative & sponsor and Mauritian
transaction advisor to Grit



Directors: Sandile Nomvete (chairman), Bronwyn Corbett*, Peter Todd (lead independent), Chandra Gujadhur, Ian Macleod, Leon van de Moortele*, Matshepo More, Nomzamo Radebe, Catherine McIlraith and Maheshwar Doorgakant# (*executive director) (#alternate to Mr Gujadhur)

Company secretary: Intercontinental Fund Services Limited

Registered address: c/o Intercontinental Fund Services Limited, Level 5, Alexander House, 35 Cybercity, Ebene 72201, Mauritius

Transfer secretary (South Africa): Computershare Investor Services Proprietary Limited

Registrar and transfer agent (Mauritius): Intercontinental Secretarial Services Limited

Transaction advisor and JSE sponsor: PSG Capital Proprietary Limited

Sponsoring Broker: Axys Stockbroking Limited

SEM authorised representative & sponsor and Mauritian transaction advisor: Perigeum Capital Ltd

This notice is issued pursuant to the JSE Listings Requirements, SEM Listing Rule 11.3 and Rule 5(1) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007. The board of directors of the Company accepts full responsibility for the accuracy of the information contained in this communiqué.