

DELTA AFRICA PROPERTY HOLDINGS LIMITED

(Registered by continuation in the Republic of Mauritius)

(Registration number 128881 C1/GBL)

JSE share code: DLA

SEM share code: DEL.N0000

ISIN: MU0473N00010

("Delta")



ACQUISITION OF RESIDENTIAL CONDOMINIUM IN MOZAMBIQUE HEAD-LEASED BY TWO MULTI-NATIONAL TENANTS WITH DOLLAR UNDERPINNED LEASES

1. INTRODUCTION

- 1.1. Shareholders are advised that on 17 February 2016 Delta, through its wholly-owned subsidiary, Delta International Mauritius Limited, entered into an agreement ("**Acquisition Agreement**") with Transformers Investment Limited ("**Seller**") and Transformers Holdings Mauritius Limited ("**THM**"), in terms of which Delta will purchase from the Seller all shares held by the Seller in THM ("**Sale Shares**"), constituting 100% of THM's issued share capital ("**Transaction**").
- 1.2. The risk, benefit and ownership in and to the Sale Shares will be deemed to have passed from the Seller to Delta on 1 December 2015 ("**Effective Date**"), subject to the issuing of the new Delta shares referred to in paragraph 3.2.3 below.
- 1.3. THM's assets include 95% of the ordinary shares in the issued share capital of Delta Tete Limitada ("**Delta Tete**"), which, in turn, will on implementation of the Transaction own the land in Tete, Mozambique on which the Condominium Vale dos Embondeiros ("**Property**") is situated and on which the letting enterprise to be conducted by Delta Tete will be operated.
- 1.4. Commotor Limitada ("**Commotor**"), a wholly owned subsidiary of Delta, will hold the remaining 5% of the ordinary shares in the issued share capital of Delta Tete.

2. RATIONALE FOR THE TRANSACTION

- 2.1. Delta has identified this dominant corporate accommodation offering in Tete, Mozambique as a unique opportunity to enter a new sector and expand its footprint in Mozambique. Furthermore, the investment meets the stringent investment criteria of strong counterparty leases underpinned by long-term dollar-based leases and will be supported by the significant investment and infrastructure implemented in Tete and surrounds by global mining powerhouses.
- 2.2. Vale S.A., one of the world's largest mining companies, has held a 25 year concession since 2004 to explore coal deposits in Moatize, Tete Province, Mozambique. The Moatize Mine has been producing coal since July 2011 and represents Vale S.A.'s biggest investment within the segment. Vale S.A. is also investing in two railroads that connect to ports in order to improve the transport capacity of the mine's output.
- 2.3. The following salient points should be highlighted:
 - 2.3.1. the investment is headlined by the following head leases;
 - 2.3.1.1. Vale Mocambique Limitada are leasing 81 three-bed units and 20 two-bed units on a five year lease;
 - 2.3.1.2. Barloworld Equipment Mozambique Limited are leasing 20 two-bed units on a three year lease;
 - 2.3.2. these two leases represent 121 units of the total 123 units in the condominium;

- 2.3.3. the leases are USD-based; and
- 2.3.4. the Property is the dominant residential offering in Tete, Mozambique.

3. PURCHASE CONSIDERATION

- 3.1. The total net consideration due by Delta in respect of the Transaction, amounts to USD 17,353,684 ("**Purchase Consideration**").
- 3.2. The Purchase Consideration comprises the following:
 - 3.2.1. a refundable deposit of USD 300,000, which was paid to the Seller in cash on 9 November 2015;
 - 3.2.2. a refundable deposit of USD 3,485,000, which is to be paid to the Seller in cash on or before 29 February 2016;
 - 3.2.3. an amount of USD 2,000,000, which is to be settled, subject to the necessary approval and compliance with the listings requirements of the Stock Exchange of Mauritius, by the issue of new Delta ordinary shares to the Seller at an issue price of USD 1.70 per share. Such shares are to be issued within 10 working days of the date on which all the Conditions Precedent (as defined in paragraph 5 below) are met, unless the parties agree otherwise;
 - 3.2.4. a vendor loan ("**Vendor Loan**") advanced by the Seller to Delta, in respect of a USD 6,000,000 portion of the Purchase Consideration. Unless otherwise agreed between the parties to the Acquisition Agreement, the Vendor Loan will be repayable within 6 months from the date of implementation of the Transaction and will bear interest at a rate of 7.4% per annum, calculated on a daily average basis and compounded monthly in arrears; and
 - 3.2.5. the amount of USD 5,568,684, relating to the acquisition of the Property by Delta Tete, as referred to in paragraph 4 below, which is considered to form part of the Purchase Consideration.
- 3.3. Delta intends to fund the cash component of the Purchase Consideration and all transaction costs, and to settle the Vendor Loan, by way of placing of Delta shares in terms of the Stock Exchange of Mauritius Ltd ("**SEM**") Listing Rules and a vendor consideration placement of Delta shares in terms of the JSE Listings Requirements to third parties and/or debt funding.

4. DELTA TETE DEBT

- 4.1. In terms of a promissory purchase and sale agreement ("**Mozambique Acquisition Agreement**"), an amount of USD 21,300,000 is due ("**Delta Tete Debt**") by Delta Tete (as nominee purchaser) to Vale Dos Embondeiros Limitada, a wholly owned subsidiary of the Seller, ("**VDE**") (as seller) in consideration for the Property.
- 4.2. Following the implementation of the Transaction, Delta intends to reduce the Delta Tete Debt by an amount of USD 5,568,684 by way of a vendor consideration placement of Delta shares to third parties.

5. CONDITIONS PRECEDENT

- 5.1. The Acquisition Agreement will be effective only when all the following conditions precedent ("**Conditions Precedent**") are fully met, namely that:
 - 5.1.1. Delta Tete has duly obtained written approval from the Central Bank in Mozambique for foreign property ownership and foreign direct investment and the approval for latter is not less than USD 569,800;
 - 5.1.2. the Mozambique Acquisition Agreement has been executed, such that it allows the Property to be unconditionally transferred and duly registered in the name of Delta Tete;

- 5.1.3. VDE confirms that all the necessary approvals, paper work and other actions required for transfer as per paragraph 5.1.2 above are ready and the transfer of the Property in terms of the Mozambique Acquisition Agreement to Delta Tete can be implemented;
- 5.1.4. transfer of the Sale Shares has been completed except for the outstanding payment of the Purchase Consideration; and
- 5.1.5. subsequent to completion of the condition under paragraph 5.1.4 above, the Property has been duly transferred and registered in the name of Delta Tete, such that Delta Tete acquires legal and exclusive rights on the Property and payment of USD 21,300,000 has been made in terms of the Mozambique Acquisition Agreement.
- 5.2. Unless otherwise agreed by the parties to the Acquisition Agreement, the Conditions Precedent are to be completed on or before the last working day of March 2016, failing which the Acquisition Agreement will be deemed null and void and the Seller will refund all amounts paid by Delta or any other party on its behalf, including the deposits and the amount paid under the terms of the Mozambique Acquisition Agreement, together with interest thereon at the rate of 7.4% per annum.

6. WARRANTIES

The Seller has provided limited warranties to Delta. Save for such warranties, the Seller has made no representations and has given no warranties regarding the Sale Shares.

7. THE PROPERTY

- 7.1. The details of the Property are as follows:

Property Name and Address	Geographical Location	Sector	Gross Lettable Area (m ²)	Weighted Average Gross Rental/m ² (USD)
Condominium Vale dos Embondeiros Zambia Road, Plot number 8027, Chingodzi	Tete, Mozambique	Residential	12,966	21.70

- 7.2. Details regarding the Property, as at the expected Effective Date, are set out below:

Property Name and Address	Purchase Yield to Attributable Shareholders	Weighted Average Escalation	Lease Duration (years)	Vacancy % by GLA
Condominium Vale dos Embondeiros Zambia Road, Plot number 8027, Chingodzi	8.1%	3.1%	3 - 5	0.0%

Notes:

- a) The total costs associated with the Transaction are estimated at USD 1,581,452.
- b) The Property has been valued by Jones Lang LaSalle Proprietary Limited, independent and registered professional valuers in terms of the Property Valuers Profession Act, No. 47 of 2000, who have attributed a value of USD 34,980,000 as at 31 December 2015, excluding any value for surplus land.

8. FORECAST FINANCIAL INFORMATION OF THE TRANSACTION

The forecast financial information relating to the Transaction for the financial periods ending 30 June 2016 and 30 June 2017 is set out below. The forecast financial information has not been reviewed or reported on by a reporting accountant in terms of section 8 of the JSE Listings Requirements and Chapter 12 of the SEM Listing Rules and is the responsibility of Delta's directors.

	Forecast for the 7 month period ending 30 June 2016 (USD)	Forecast for the 12 month period ending 30 June 2017 (USD)
Revenue – contracted income	2,139,225	3,750,663
Revenue – uncontracted income	-	-
Operating expenses	272,018	481,248
Operational net income	1,867,207	3,269,415
Net profit after tax	1,760,308	2,766,029
Earnings available for distribution	1,091,984	1,610,622

Notes:

- a. Contracted rental revenue is based on current signed leases, and assumes any lease that may expire during the period is renewed on the same terms and conditions.
- b. Pursuant to the Mozambique Acquisition Agreement, Delta Tete has been provided with a rental guarantee of USD 434,840 for the 7 month period ending 30 June 2016 and USD 763,769 for the 12 month period ending 30 June 2017.
- c. There is no uncontracted rental revenue or near-contracted rental revenue for either the 7 month period ending 30 June 2016 or the 12 month period ending 30 June 2017.
- d. There is no non-rental revenue for either the 7 month period ending 30 June 2016 or the 12 month period ending 30 June 2017.
- e. Operating expenses do not contain any material individual expenditure items.

9. CATEGORISATION

- 9.1. The Transaction qualifies as a Category 2 acquisition for Delta in terms of the JSE Listings Requirements.
- 9.2. The Transaction constitutes an undertaking in the ordinary course of business of Delta and therefore does not fall under the scope of Chapter 13 of the SEM Listing Rules.
- 9.3. On implementation of the Transaction, THM will become a subsidiary of Delta. In this regard, Delta confirms that the requirements of paragraph 10.21 of Schedule 10 of the JSE Listings Requirements will be complied with.

10. GENERAL

- 10.1. Delta has its primary listings on both the Official Market of the SEM and the Main Board of JSE Limited.

17 February 2016

JSE sponsor and corporate advisor to Delta



Company Secretary to Delta



Directors: Sandile Nomvete (chairman), Greg Pearson*, Bronwyn Anne Corbett*, Peter Todd (lead independent), Maheshwar Doorgakant, Chandra Kumar Gujadhur, Ian Macleod and Leon van de Moortele*
(*executive director)

Company Secretary: Intercontinental Fund Services Ltd

Registered address: Level 5, Alexander House, 35 Cybercity, Ebene, 72201, Mauritius

Transfer secretary in South Africa: Computershare Investor Services (Pty) Ltd

Registrar and Transfer Agent (Mauritius): Intercontinental Secretarial Services Ltd

Corporate advisor and JSE Sponsor: PSG Capital (Pty) Ltd

SEM sponsor: Capital Markets Brokers Ltd

This Notice is issued pursuant to the JSE Listings Requirements, SEM Listing Rule 11.3 and the Securities Act of Mauritius 2005.

The Board of directors of Delta Africa Property Holdings Limited accepts full responsibility for the accuracy of the information contained in this communiqué.