METTLE INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2008/002061/06)
JSE share code: MLE
ISIN: ZAE000257622
("MLE")

Subscription of Mettle Solar Investments Shares by the CDC Group and Withdrawal of Cautionary

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1. Background

Further to the detailed cautionary announcement and the renewal of cautionary announcements published by MLE on the Stock Exchange News Service of the JSE, the latest being on 31 May 2019, the board of directors of MLE ("Board") is pleased to announce that agreements ("the Agreements") have been entered into between, amongst others, Mettle Solar Investments Proprietary Limited ("MSI"), Gridworks Development Partners LLP (the "Subscriber"), a limited liability partnership wholly owned by CDC Group plc ("CDC"), MLE, Trigen Group Proprietary Limited ("Trigen"), MStead Limited ("Mstead") and Francois Malan Ver Loren Van Themaat, the CEO of MSI ("Management") (these parties, collectively, the "A Ordinary Shareholders"). The Agreements contemplate the subscription by the Subscriber for a maximum of 16 493 class "B" ordinary shares ("B Ordinary Shares") in MSI ("Subscription Shares") for an aggregate consideration of R106.7 million ("the Equity Funding") ("the Transaction") over a period of time but by no later than 31 March 2020 (the "Funding Backstop Date"). After the issue of the Subscription Shares, the Subscriber will hold approximately 40% of the issued share capital of MSI.

2. Structure of the Transaction

MLE currently holds 55% of the issued ordinary share capital of MSI, with Trigen holding 35% and Management holding 10%, all of which ordinary shares will be converted into class "A" ordinary shares ("A Ordinary Shares") in MSI.

In order for MSI to issue the Subscription Shares, it will be necessary for MSI to create "B" Ordinary Shares, which will be subscribed for by the Subscriber. The A Ordinary Shares and B Ordinary Shares will rank *pari passu* in all material respects save for a preferential right to a return to the B Ordinary Shareholder of its capital invested in the event of:

- a liquidation, dissolution or winding up of MSI within two years of the date of the first subscription by the Subscriber ("the First Subscription Date") save where such event was caused by a fact, matter or circumstance (a) that was fairly disclosed to the Subscriber or (b) that occurs after the First Subscription Date and is beyond the control of MSI or the holders of the A Ordinary Shares; or
- any exit or other form of sale or disposal of the A Ordinary Shares and B Ordinary Shares or a disposal of all of MSI's assets or subsidiaries, in each case, within two years of the First Subscription Date where the value at which such exit or transaction is concluded is at a discount to the price paid per B Ordinary Share by the Subscriber for its investment.

Prior to the Agreements becoming effective:

- Trigen and Management will subscribe for A Ordinary Shares in MSI;
- MSI will use the proceeds of such subscription to acquire all the shares in and loan claims against Mettle Solar Africa Limited ("MSA") held by Green Create Limited and the trustees of the Berchid Trust;

- MSI will simultaneously issue A Ordinary Shares to MLE in exchange for the acquisition of all the shares in and loan claims against MSA owned by MLE;
- thereafter MSI will capitalise all loans from the A Ordinary Shareholders amounting to R135.6 million, through the issue of further new A Ordinary Shares; and
- thereafter Trigen will sell one third of its shares in MSI to Mstead;

all of which actions are collectively referred to as the "Reorganisation". Following the implementation of the Reorganisation, the shareholders of MSI will be MLE (c.59%), Trigen (c.25%), Mstead (c.13%), and Management (c.3%).

MSI will deliver draw down notices to the Subscriber any time from the date on which all the conditions precedent listed in the Agreements have been fulfilled or the date of the first advance of interim funding as per the Agreements, whichever occurs first, but by no later than the Funding Backstop Date, in terms of which it will require the Subscriber to provide the Equity Funding and MSI will issue to the Subscriber the relevant number of Subscription Shares.

In addition, the Agreements also contain provisions regarding the establishment of a management incentivisation plan in terms whereof *inter alia* MSI will grant Management a loan to acquire an additional c.1% of MSI ("the Management Subscription").

After the issue of all of the Subscription Shares in connection with the Equity Funding and the Management Subscription, MLE will own c.35% of the total issued shares of MSI, Trigen will own c.15%, Mstead will own c.7%, Management will own c.3% and the Subscriber will own c.40% thereof.

3. Brief overview of MSI and the Subscriber

MSI focuses on the design, installation, financing and maintenance of commercial and industrial solar photovoltaic ("PV") systems. These solutions range from 80kWp to 10MWp systems for private consumption to 5MWp systems for public consumption. The solutions are either grid-connected, hybrid (solar and fuel powered generator) or off-grid (storage) solar PV solutions located across Sub-Saharan Africa and the adjacent Indian Ocean islands. The terms on which these systems are provided range from turn-key engineer, procure and construct solutions with full performance warranties to fully funded solar PV systems that are leased by the client.

The Subscriber is a developer and investor in the transmission, distribution and off-grid sectors in Africa. CDC is the UK Government's development finance institution and is committed to building businesses, creating jobs and demonstrating successful investments in Africa and South Asia.

4. Rationale for the Transaction

The Board believes that the Transaction will help to strengthen the balance sheet of MSI, enabling it to develop its business at a faster pace, and align MSI with an experienced strategic partner with considerable networks and experience in investing on the African continent.

5. Use of proceeds

MSI will use the Equity Funding to implement its pipeline of solar projects across the African continent and the adjacent Indian Ocean islands.

6. Conditions precedent

The Transaction is subject to the fulfilment or waiver (where appropriate) of, *inter alia*, the following suspensive conditions:

a. approval of the Transaction by applicable competition authorities;
b. the approval of the Reorganisation by the financiers of MSI and MSA and the South African Reserve Bank; and
c. the signature by MSI of documentation in respect of a resource efficiency loan from CDC.

7. Warranties and other significant terms

The warranties, representations and undertakings contained in the Agreements are standard for transactions of this nature. The Agreements contain, *inter alia*, certain “drag along” provisions (collectively referred to as the “Exit Rights”) in favour of the Subscriber, which are subject to MLE shareholder approval prior to such rights becoming enforceable against MLE. MLE will distribute a circular to MLE shareholders convening a meeting of the MLE’s shareholders to approve the granting by MLE of the Exit Rights in due course.

8. Financial information

As at 28 February 2019 the net liability value of MSI was R27.6 million and the net liability value of MSA was R10 467 300 (i.e., prior to the capitalisation of shareholders’ loans of R135.6 million). For the 12-month period ended 28 February 2019, MSI incurred a net loss after tax of R14.4 million and MSA incurred a net loss of R3 966 978.

The unadjusted financial information of MSI and MSA as set out above have been extracted from the unaudited management accounts of MSI and MSA. MLE is satisfied with the quality of those management accounts referred to above. The unadjusted financial information of MSI and MSA as set out above have been extracted from unpublished management accounts of MSI and MSA, the amounts of which have been calculated in accordance with IFRS.

9. Categorisation

In terms of the JSE Listings Requirements, other than the granting by MLE of the Exit Rights, the Transaction is regarded as a Category 2 transaction and accordingly the Transaction (other than the granting of the Exit Rights) is not subject to approval by MLE shareholders. The granting by MLE of the Exit Rights constitutes a Category 1 transaction by MLE as it affords a third party the right to require MLE to dispose of its shares in MSI at a price which, at the time of granting the Exit Rights, has not been agreed or determined. As indicated in paragraph 7 above, a circular convening a general meeting and providing full information on the Exit Rights will be sent to MLE shareholders in due course. Shareholders entitled to vote at such shareholders’ meeting controlling not less than 59% of MLE’s shares have irrevocably undertaken to the Subscriber that they will vote in favour of a resolution to approve the granting of the Exit Rights. A mechanism to proceed with the Transaction without the Exit Rights being enforceable against MLE has been incorporated into the Agreements to enable the parties to proceed with the Transaction and secure certain interim Equity Funding for MSI prior to the approval of the Exit Rights by MLE shareholders, which mechanism ensures that the Exit Rights will not apply against MLE until such shareholder approval has been obtained.

10. Board responsibility

The Board accepts responsibility for the information contained in this announcement. To the best of its knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the importance of the information included.

11. Withdrawal of cautionary

Following the release of this announcement, shareholders of MLE no longer need to exercise caution when dealing in MLE's securities.

Cape Town
24 June 2019

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