

CONFIDENTIAL



2014-02-04

**INVESTMENT OPPERTUNITIES – RENREWABLE ENERGY – SOUTH AFRICA RENEWEL ENERGY PROGRAMS.**

Partners are needed who is willing and able to participate in the South African IPP Procurement Program initiated by the South African Government who has the confidence to invest in South Africa with this Company.

The IPP Procurement Programme [[www.ipp-renewables.co.za](http://www.ipp-renewables.co.za)] has been designed to procure the target of 3933 Megawatts in order to start and stimulate the Renewable Energy industry in South Africa. The Department of Energy (“DOE”) is running the program and the 3933 MW’s has already being awarded during three Bidding Windows.

DOE is currently considering awarding an additional 1500MW to project companies who have participated in the third bidding window which closed in August 2014 due to the fact that good feed in tariffs was offered. DOE have announced that the outcome of their consideration will be made available early 2014 which is expected to be shortly.

DOE recently released another 3725 MW for the 2014 and 2015 Bidding Windows which constitutes the formal invitation to Bidders to submit their detailed Bid Responses for the supply of Energy generated from new Renewable Energy power generation Facilities. The forth Bidding Window date have being set by DOE as the 18<sup>th</sup> of August 2014 and the announcement of the preferred bidders as the 28<sup>th</sup> of November 2014.

DOE have also released the Small IPP Programme [[www.ipp-smallprojects.co.za](http://www.ipp-smallprojects.co.za)] in order to cater for the small business sector of South Africa (“SME”). The programme is designed to let all SME’s share in the first 200MW which was made available in August 2013. The Small IPP Programme cater for projects between 1MW and 5MW which entails that about 80 projects will be awarded as preferred bidders by the end off 2015.

South Africa now has 64 approved IPP projects with a collective capacity of 3 933 MW. The projects represent a combined investment value of between R120 Billion (\$ 12 Billion) and R150 Billion (\$15 Billion. The renewable industry waits with baited breath to see what the next developments and appointment of further prospective bidders will be in 2014 as already revealed above.

This Company will participate in the 2014 and 2015 Bidding Windows with one 60MW project and one 75MW project. In the Small IPP Programme with three 5MW projects (2014) and with another three 5MW projects in 2015.



## CONFIDENTIAL

The bidding process is not complicated so we have therefore highlighted the following as the most important aspects of the bidding criteria:

1. Projects submitted in respect of any other Bid Submission Date and that utilise any of the Technologies must be capable of beginning commercial operation before the end of 2016.
2. "**Bidder**" - any legal entity or consortium of legal entities that submits a Bid Response.
3. "**Project Company**" - the special purpose Company that a Bidder proposes using as the vehicle to undertake the Bidder's Project, that is the subject matter of a Bid Response, and to be the Seller in terms of the PPA.
4. "**Shareholders**" - the shareholders of the Project Company provided that 40% has to be owned by 100% South African Registered Companies and/or Citizens;
5. "**Economic Development**" - the objectives of the Department in relation to Job Creation, Local Content, Ownership, Management Control, Preferential Procurement, Enterprise Development and Socio-Economic Development.
6. "**Environmental Consents**" - any consents, licences, authorisations, permissions or approvals required from any organ of state in the local, provincial or national sphere of government or any regulatory agency required in terms of any environmental law or heritage law for the development, Construction or Operation of the Facility.
7. "**Equity Finance**" - funding to be provided to the Project Company by its shareholders either by way of share capital or subordinated debt;
8. "**Financial Advisor**" - the firm or firms advising a Bidder on the raising of debt and Equity Finance in respect of its Bid Response and the Project;
9. "**IRR**" - the real post tax rate of return which a holder of equity in the Project Company is forecast in the Financial Model applicable at the relevant Bid Submission Date to achieve on its investment in equity over the term of the PPA;
10. "**Lead Member**" - a Member (being a legal entity) of a Bidder which has been appointed by the other Members to take the lead in the preparation of that Bidder's Bid Response and to be the lead Member of that Bidder;
11. "**Legal Advisor**" - the law firm or firms advising a Bidder in respect of its Bid Response and, if that Bidder becomes a Preferred Bidder, in respect of the negotiation of the Bidder's contractual arrangements and Project Documents with, *inter alia*, its Members, Contractors, equipment suppliers and Lenders (if any);

## CONFIDENTIAL

12. **"Lender"** - any financial institution that is party to a term sheet that is submitted by a Bidder as part of its Bid Response;
13. **"Member"** - any legal entity and or natural person that is a member of a Bidder;

The promoter of a project such as this Company has to establish and incorporated a Project Company who will be the Bidder in terms of the RFP and the seller in terms of the PPA as the first step.

We have incorporated all our Project Companies as being regulated by the South African IPP Procurement Program under tender Number DOE 001/2011/2012 ("RFP"). The objective of each Project Company is to Bid, build, own and operates its own PV plant once the PPA has being signed with ESKOM.

Our Project Companies is allowed to each present a Bid in either round 4 or 5 of the South African IPP Procurement Program under tender Number DOE 001/2011/2012 ("RFP"). The reason for this is because every project and Project Company has being registered with DOE (Department of Energy) to present a Bid Response.

Each Project Company is developing a Solar PV facility independent from each other on various pieces of land and are currently in various stages of implementation. Some projects is already fully permitted with all permits in place while other projects are start ups with Environmental processes running.

Johan Visagie currently owns 100% of the issued shares of each of the companies and his objective is to share stakes in the projects under certain terms and conditions.

### ***KEY ELEMENTS AND INVESTMENT CRITERIAS***

1. The incorporated **"Project Company"** can have all the money/funds/expertise/investors in the world ready for development but such company can do nothing if no PPA (Power Purchase Agreement) has being signed with ESKOM in terms of the South African IPP Program via the Program.
2. To get to the signing stage of the PPA a **"Project Company"** has to be selected a Preferred Bidder in terms of the South African IPP Program via tender Number DOE 001/2011//2012 ("RFP").
3. No Bid can be presented by any **"Project Company"** if such company is not in possession of the required Environmental Approval commonly known as the EA. A key document is also a cost estimated letter from ESKOM indicating the cost of the grid connection point.



## CONFIDENTIAL

4. In order to obtain the **EA** certain expenditures has to be undertaken by the **"Project Company"**.
6. Each **"Project Company"** has the following share split in order to comply with the IPP Programme which is our practical share split model:
  - ✚ 55%- Investor or lead member. (This is normally a Company from outside South Africa)
  - ✚ 05% Additional investors or possible EPC participation.
  - ✚ 25%- South African BEE Group (Compulsory in terms of the RFP conditions)
  - ✚ 08%- Johan Visagie & Partners
  - ✚ 07%- Local Community (Compulsory in terms of the RFP conditions)

*Note: South African citizens must own not less than 40% of the "Project Company" in order to be Bid compliant in terms of the IPP Programme.*

### **PROJECT INVESTMENT MODEL**

1. Johan Visagie is willing to distribute 55% of the **"Project Company"** shares to a new partner/investor/participant who is willing to fund the **"Project Company"** with the project preparation and bid costs up to a maximum amount **€ 500 000** which cost shall include but not limited to the following in the way of shareholder loan to be capitalized at financial close:
  - 1.1 Professional / consultation fees as required from time to time.
  - 1.2 Environmental Impact Assessment to obtain the EA (Environmental Authorization)
  - 1.3 Legal fees and any other fees related to presenting the Bid.
  - 1.4 Bid Manager (PriceWaterhouseCoopers).
  - 1.5 Project Management,
  - 1.6 Energy yield forecasts.
  - 1.7 Any other reasonable costs as agreed from time to time and approved by the shareholders before any such commitments are made.
2. Investor/partner/participant provides 75% of the development cost. Alternatively arrange the development cost from local banks with the assistance of Johan Visagie and the BEE partners. Johan Visagie is in a position to arrange 75% of the development cost (EPC) which calculates to \$ 1.5 Million per MW. We can vouch for this because Johan Visagie was involved in the third bidding window which closed on the 19<sup>th</sup> of August 2013 as a partner in the project company who presented the Bid. The final preferred bidders will be announced in the early part of January 2014 and more info can be obtained at [www.ipp-renewables.co.za](http://www.ipp-renewables.co.za). Johan Visagie bid in joint venture with a Company from Spain and they were able to raise \$ 100 Million from the bank of Johan Visagie in South Africa.



## CONFIDENTIAL

3. **"Project Company"** will have a 25 year lease on the PROPERTY on which the PROJECT is situated.
4. The applicable lease fee shall be 100.000 € per annum adjusted annually for inflation linked to the consumer price index published by the competent South African authority.
5. The first lease fee shall only become payable by the **"Project Company"** once the bid was successful.
6. The **"Project Company"** have an option for extension beyond the twenty five year period on all projects.
7. The lease shall be noted at the Land Deeds Registry as required in terms of the Bid Process

The Company foresee the following steps taking in account that the **"Project Companies"** has already being incorporated should any investor/partner/participant want to take up the 55% stake where available.

1. Signing of Share Sale Agreement which is on hand and ready for review.
2. Transfer of Shares to investor/partner/participant.
3. Opening of bank account with Nedbank South Africa in name of the Project Company and transfer of capital as need arise in order to cover the cost of the project.
4. Shareholders meeting at which meeting all arrangements between the shareholders will be minute in order to set the relationship parameters.
5. Establishment of project team.
6. Project preparation meetings and planning.
7. Completion of bidding documents and requiring of licences.

### **FINANCIAL PROJECTIONS**

The financial model of all our projects was developed by the Industrial Development Corporation of South Africa (IDC) but it is unfortunately in our ZAR (R) currency and not in USD or EURO available. The model is being used by most bidders when bids are presented so you have to bear with us in this regard.

The model can be adjusted to calculate all sorts of projections.

We have used the 60MW Windsor Castle projections for this document in order to demonstrate income, expenditures and profits which you can present to the investors.

1. \$ 1 500 000 is the EPC price per MW.
2. The project equity IRR is 15.26%



## CONFIDENTIAL

3. The investor IRR is 14%
4. The revenue to be collected is \$ 510 045 000.00
5. The EBITDA is \$ 283 798 900.00
6. The NPAT (net Profit after Tax) is \$ 151 969 400.00
7. The NPAT of the investor is \$ 83 580 420.00

The financial model is based on borrowing from the South African Banks at a certain interest rate. The model show that the bank is collecting \$ 79 945 600.00 in revenue from interest. This can go to the investor should the investor be in a position to fund the company with \$ 96 332 300.00 meaning the investor will collect in the region of about \$ 180 Million.

Should the investor only contribute € 500 000 then such investor can collect \$ 83.5 Million by just taking part in the development as one of the shareholders.

### ***CLOSURE***

More detailed information is available by request and can be obtained from Johan Visagie with the following contact details:



**Johan Visagie**  
MANAGING DIRECTOR

Cell: +27 83 227 2224  
E-mail: [jovico@worldonline.co.za](mailto:jovico@worldonline.co.za)  
Skype: Shatoday

