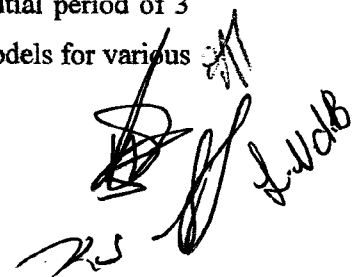


UITTREKSEL UIT NOTULE VAN 'N SPESIALE RAADSVERGADERING VAN KANNALAND MUNISIPALITEIT SOOS GEHOUD OP DINSDAG, 09 OKTOBER 2018 IN DIE RAADSAAL TE LADISMITH.

COUNCIL 09/10/18: MEMORANDUM OF AGREEMENT BETWEEN KANNALAND LOCAL MUNICIPALITY AND INOVASURE (PROPRIETARY) LTD

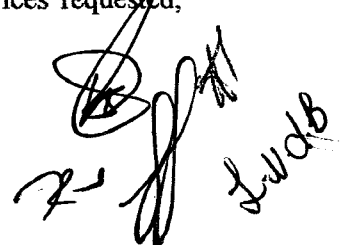
BESLUIT

1. That Council approves the attached Resolution and concomitant ESMA Agreement, MOA and its attachments for presentation to National Treasury and the DBSA as a matter of urgency.
2. That the KANNALAND LOCAL MUNICIPALITY Council takes a formal Resolution, as attached to this Item, to mandate the Kannaland Municipal Manager to sign, following the conclusion of the referenced Resolution, the relevant MOA and its attachments and send it, together with a suitable covering letter, to National Treasury / Government Technical Advisory Centre (GTAC) PPP division to initiate the process by facilitating the appointment of the chosen Transactional Advisors on the National Treasury GTAC PPP division panel, Bigen Africa, to assess and report on the Legal, Technical and Financial aspects of the proposed transaction, draw the required PPP Agreement as based on the ESMA Agreement, and to therein define the benefits for the KANNALAND LOCAL MUNICIPALITY.
3. That the Kannaland Local Municipality is tasked with sourcing and implementing suitable strategies and agreements with suitable collaborators for the implementation of Water Security (as well as Energy Security due to the high energy requirements for the provision of water to its citizens) in terms of existing Legislation, including Disaster Management Legislation, Bylaws and regulations;
4. That in line with the suitable strategies mentioned in clause 1 above, the Kannaland Local Municipality had entered into a Memorandum of Understanding (MOU) with Sun Graft on 17 September 2012, the rights of which were in due course transferred to InovaSure (Pty) Ltd as its leasing implementation agent in terms of a cession document. In addition, the period of the MOU in question was extended annually after its initial period of 3 years, in order to allow for various Feasibility Studies and Financial Models for various

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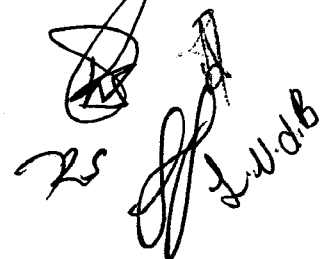
Project Proposals in terms of the MOU to be completed. Subsequent to this transfer of rights and in terms of the MOU, various various Feasibility Studies were carried out and Project Proposals prepared with Financial Models by InovaSure and presented to the Council on various occasions, all of which were subsequently accumulated in an Energy Security Management and Administration Agreement (ESMA Agreement) which was concluded by the Municipality with InovaSure;

5. That the ESMA Agreement referenced in 2 above is approved of by the Kannaland Local Municipality Council which authorises the Municipal Manager to conclude and sign the agreement, and that the Council and Municipal Manager shall furthermore undertake to provide all required assistance in order to have the referenced ESMA Agreement converted to a Public Private Partnership arrangement by means of the assistance of the National Treasury GTAC PPP division
6. That following the conclusion of the Energy Security Management and Administration Agreement (ESMA Agreement) with InovaSure (Pty) Ltd, the Municipal Manager be mandated to request the services of Transactional Advisors, as approved of by National Treasury GTAC PPP division, being Bigen Africa, to investigate and adjudicate the Legal, Technical and Financial aspects of the said ESMA Agreement and the proposed conversion thereof to a Public Private Partnership Agreement with InovaSure (Pty) Limited, for the implementation of an Energy and Water Vault on the basis of a future Public Private Partnership (PPP) agreement over a 25 year period, as well as an application to the Development Bank of Southern Africa (DBSA), or any other suitable Development Finance Institute, to act as the Mandated Lead Arranger for the funding of the referenced Energy Vault project.
7. That the Municipal Manager be mandated to conclude the referenced letter/s of appointment with the Transactional Advisors referred to in item 4 above, being Bigen Africa, or any other suitable Transactional Advisor on the panel of National Treasury GTAC PPP division and the Development Bank of Southern Africa (DBSA).
8. That, should the referenced Transactional Advisors proceed and draft the Public Private Partnership Agreement and provide the Legal advice to the proposed transaction, as well as provide the Technical and Financial advisory and adjudication services requested,

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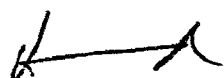
these reports and agreements be provided to the National Treasury GTAC PPP division and the Development Bank of Southern Africa for final consideration and approval, or not, as the case may be, following which the Kannaland Local Municipality shall be in a position to conclude the Public Private Partnership Agreement so produced and approved, or not, as the case may be.

9. That the Kannaland Local Municipality shall provide all assistance required (and that it is able to provide in terms of its status as an organ of State) to InovaSure (Pty) Ltd, the National Treasury, the DBSA, any other Development Finance Institute, the relevant Transactional Advisors to National Treasury and/or the DBSA, the New Development Bank and its African Regional Centre, and any other relevant stakeholder, Governmental Department or State Owned Enterprise in order to facilitate the adjudication and finalisation of the Kannaland Energy Vault Project.
10. That the Municipal Manager be authorized and mandated, should the referenced Transactional Advisors produce the PPP Agreement as based on the ESMA Agreement content, and find the proposed project to be feasible and in the best interests of the Municipality and to its benefit in in terms of its Legal, Financial and Technical aspects, and should it be approved by the National Treasury GTAC PPP division and / or the New Development Bank (NDB) / DBSA for funding (or any other Development Funding Institution), the PPP Agreement so approved of, and the Project Feasibility report/s and Financial Model/s so approved, to likewise approve and conclude the said Public Partnership Agreement for the Energy Vault Project.
11. That the DBSA or the NDB or any other suitable Development Finance Institute be solicited by Kannaland Local Municipality and it's proposed future Private Company partner, InovaSure, to act as the Mandated Lead Arranger (MLA) for the proposed Energy, Water and Education Security project/s implementation project/s to be undertaken at the Kannaland Local Municipality, as a Public Private Partnership arrangement, in respect of the proposed InovaSure Energy and Water Vault implementations along with the concomitant Thin Client Technology, being:
The facilitation of Energy, Water and Education Security, provided to the Kannaland Municipality, by means of the Service Level Agreement (called "Energy (and Water) Security Management and Administration Agreement" or "ESMA" Agreement, which

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is in effect a Public Private Partnership (PPP) arrangement) and the installation of, amongst other things, a Utility Scale so-called "Energy Vault" device (effectively a large [20MW-53MWh] battery storage device supported by balance of systems [electricity meters and LTE communication] and renewable energy sources [such as 25MW Photo Voltaic plants]), as well as related water purification and metering management systems and communication management devices at the Kannaland Local Municipality ("the Implementation Project");

12. That InovaSure be tasked with sourcing the required funding on suitable terms for the referenced Energy and Water Vault projects from agencies such as the NDB or any other suitable financial institution/s;
13. That the Kannaland Local Municipality Implementation Project be reviewed after a 3-year period from commencement of the flow of funds for the Project/s by various agencies and key stakeholders such as the NDB and the DBSA and the relevant funding agency/ies;
14. That the Department of Energy (DoE) of the South African Government and the Central Energy Fund (CEF) and the National Treasury be requested to provide their views and recommendations for the Implementation Project during its implementation process.
15. That the Municipal Manager is authorized to obtain legal advice to ensure that the contracts contain the desired principles of the proposal.



Die Speaker

2018.11.19
Datum


25/11/2018