

1. Planned Activities for the period

This report refers to Certificate of Incentives issued by the Tanzanian Investment Centre with Nr. 0223065 on 12th April 2017, and to date expired.

Originally it has been planned to reach the COD - Commercial Operation Date - of the hydro-power plant on July 2018, but it, as better explained at the further point Nr. 4, has been not reached.

On 1st November, 2017 it has been signed an IQA – Investment Quotaholders Agreement between the Company Mapembasi Hydro-Power Company Limited, its main shareholder the Tanzanian Njombe Resources Development Company Limited held by the Trustee of the Catholic Diocese of Njombe and roughly 40 Tanzanian well reputable business-man, and the Brulli Group (called also “Investor”) an Italian-German player involved into production and transmission of renewable energy. This IQA establishes that Brulli Group will be committed to i) perform the turn-key construction of the hydro-power plant on EPC contract basis, ii) perform the long term operation and maintenance of the hydro-plant for 30 years, iii) arrange the financial facilities through a senior loan provided by DFI's and/or international and domestic first ranking primary banks, and iv) provide a soft loan plus equity and all the amounts required to complete the financing of the project. The IQA establishes that Brulli Group will have the majority of the share of the Mapembasi company stated in 60% of the equity, plus payment of an overprice in the form of non-interest bearing loan which worth not less than TZSh 528,000,000, as results from the due diligence carried out by the Investor in the Financial Statement as of 31st December 2016. The closing of the IQA agreement has been subject to condition precedent standard for this type of investment.

On July 2018 the Investor carried out a detailed technical, legal and administrative due diligence, issuing a final report and extending the Long Stop date established into the IQA, due to a change in Tanzanian Law and Rules related to the SPPA Standard Power Purchase Agreement and pricing of the energy.

On March 2019 EWURA and the GoT - Government of Tanzania through its MoE - Ministry of Energy have started a public consultation and review of the frame of SPPA and pricing of energy, concluded in May 2019: following these date 19 : 22 May, 2019, Brulli issued a waiver to some of the Condition Precedent established into the IQA and had arranged the Corporate closing with the Company and existing shareholders. Due to a claim existing with the TRA – Tanzanian Revenue Authority concerning capital gain taxes claimed on 2014 year, the effective closing date has been postponed as soon as the Company duly funded by Brulli has settled all the overdue taxes, and the BRELA record filing has been obtained on 7th May 2020.

On May 2019 has been arranged further site survey with geological experts and topographic survey carried out by Tanzanian enterprise with instruments and drone, as to collect detailed information from the site in order to feed the engineering department appointed to arrange the hydraulic and civil infrastructure.

Between May 2018 and May 2020 has been arranged a new measuring campaign of the level of the river Ruhudji according to rules and instruction of the Ruhudji Basin Authority, as to have comfort data to size the weir on the river.

To date has been carried out the engineering phase as follows: 90 % electrical engineering, 85 % hydraulic engineering, 40 % of geological analysis and 35 % of civil works structural engineering.

On site, before the date of establishing the IQA, the Company funded by its shareholders, MeM and REA – Rural Energy Authority has completed the Nr. 2 - 33 kV evacuation line to Tanesco National Distribution Grid up to the city of Njombe, acquired the availability of the Plot Nr. 1 area where is going to be constructed the hydro-power plant facilities, and the complete excavation of the area where should be realized the 1.1 km headrace channel and forebay area.

2. Project Financial Expenditure to date

The total expenditure to date referred to the Company is:

| Intangible Assets | Origination Costs | Advisory Fees | Total Intangibles |
|---------------------------------|--------------------------|----------------------------|--------------------------|
| Balance as of 31.12.2018 | 378.142.920 TZS | 182.718.000 TZS | 560.860.920 TZS |
| Increases | 634.948.371 TZS | - TZS | 634.948.371 TZS |
| Decreases | - TZS | - TZS | - TZS |
| Balance as of 31.12.2019 | 1.013.091.291 TZS | 182.718.000 TZS | 1.195.809.291 TZS |
| Property, Plant and Equipments | Land Rights | Overhead Transmission Line | Total |
| Balance as of 31.12.2018 | 218.433.160 TZS | 1.128.939.536 TZS | 1.347.372.696 TZS |
| Increases | - TZS | - TZS | - TZS |
| Decreases | - TZS | - TZS | - TZS |
| Balance as of 31.12.2019 | 218.433.160 TZS | 1.128.939.536 TZS | 1.347.372.696 TZS |

The total expenditure to date referred to the Brullli EPC Contractor on its Working in Progress book value is:

| Inventories | 31.12.2019 | 31.12.2018 | Delta |
|-------------------------------------|------------------|------------------|------------------|
| Total | € 722.715 | € 315.956 | € 406.759 |
| Contract work in progress Mapembasi | € 722.715 | € 315.956 | € 406.759 |

3. Project Financing

The Project Financing schema, to date, and subject to further tuning and upgrading according to the requests of the main facilities lenders, is:

| DESCRIPTION | ACTUAL | NPV | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 | 2046 | 2047 | 2048 | 2049 | 2050 | 2051 | 2052 | | |
|-----------------------------|--------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|
| 1 SPPA USD / € 0,9 | 70,5 € | 38.372 | 3.056 | 3.082 | 3.108 | 3.134 | 3.161 | 3.187 | 3.214 | 3.241 | 3.269 | 3.297 | 3.324 | 3.353 | 3.381 | 3.410 | 3.438 | 3.467 | 3.497 | 3.526 | 3.556 | 3.586 | 3.617 | 3.647 | 3.678 | 3.709 | 3.741 | | | | | | | |
| 10 Revenue by PPA | 84.679 | 38.372 | 3.056 | 3.082 | 3.108 | 3.134 | 3.161 | 3.187 | 3.214 | 3.241 | 3.269 | 3.297 | 3.324 | 3.353 | 3.381 | 3.410 | 3.438 | 3.467 | 3.497 | 3.526 | 3.556 | 3.586 | 3.617 | 3.647 | 3.678 | 3.709 | 3.741 | | | | | | | |
| 11 Opex | 16.936 | 7.674 | 611 | 616 | 622 | 627 | 632 | 637 | 643 | 648 | 654 | 659 | 665 | 671 | 676 | 682 | 688 | 693 | 699 | 705 | 711 | 717 | 723 | 729 | 736 | 742 | 748 | | | | | | | |
| 12 Ebitda | 67.743 | 30.698 | 2.445 | 2.465 | 2.486 | 2.507 | 2.528 | 2.550 | 2.571 | 2.593 | 2.615 | 2.637 | 2.660 | 2.682 | 2.705 | 2.728 | 2.751 | 2.774 | 2.797 | 2.821 | 2.845 | 2.869 | 2.893 | 2.918 | 2.942 | 2.967 | 2.992 | | | | | | | |
| 13 Capex depreciation Y | 25 | 26.000 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | 1.040 | |
| 14 Financial charges | 8.903 | 6.127 | 1.000 | 954 | 905 | 854 | 800 | 744 | 685 | 623 | 557 | 489 | 417 | 342 | 262 | 179 | 92 | | | | | | | | | | | | | | | | | |
| 15 Tax on profit | 9.852 | 3.734 | 121 | 142 | 162 | 184 | 206 | 230 | 254 | 279 | 305 | 332 | 361 | 390 | 421 | 453 | 486 | 520 | 527 | 534 | 541 | 549 | 556 | 563 | 571 | 578 | 586 | | | | | | | |
| 16 Profit | -6.963 | | 283 | 330 | 379 | 429 | 482 | 536 | 593 | 651 | 712 | 776 | 842 | 910 | 982 | 1.056 | 1.133 | 1.214 | 1.230 | 1.247 | 1.263 | 1.280 | 1.297 | 1.314 | 1.332 | 1.349 | 1.367 | | | | | | | |
| 17 CFO | 57.891 | -26.963 | 2.323 | 2.324 | 2.324 | 2.323 | 2.322 | 2.320 | 2.317 | 2.314 | 2.310 | 2.305 | 2.299 | 2.292 | 2.284 | 2.275 | 2.265 | 2.254 | 2.270 | 2.287 | 2.303 | 2.320 | 2.337 | 2.354 | 2.372 | 2.389 | 2.407 | | | | | | | |
| 18 Loan Reimbursement | 20.000 | 11.426 | 927 | 973 | 1.022 | 1.073 | 1.127 | 1.183 | 1.242 | 1.304 | 1.369 | 1.438 | 1.510 | 1.585 | 1.664 | 1.748 | 1.835 | | | | | | | | | | | | | | | | | |
| 19 CFN | 28.988 | -9.411 | 396 | 397 | 397 | 396 | 395 | 393 | 391 | 387 | 383 | 378 | 372 | 365 | 357 | 348 | 338 | 2.254 | 2.270 | 2.287 | 2.303 | 2.320 | 2.337 | 2.354 | 2.372 | 2.389 | 2.407 | | | | | | | |
| 20 aDSCR | | 1,20 | 1,21 | 1,21 | 1,21 | 1,21 | 1,21 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | |
| 21 LLCR @ financial charges | | 1,19 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | 1,20 | |
| 22 Exchange ratio TZS | 0,00% | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | 2615 | |
| 23 CPI Inflation Yoy % | 0,85% | 5,10% | 0,05 | 0,05 | 0,05 | 0,05 | 0,05 | 0,05 | 0,05 | 0,05 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | 0,06 | |
| 24 k index coefficient | | | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | 1,01 | |
| 26 Brullli Dividends | 17.393 | -5.646 | 238 | 238 | 238 | 238 | 237 | 236 | 234 | 232 | 230 | 227 | 223 | 219 | 214 | 209 | 203 | 1.352 | 1.362 | 1.372 | 1.382 | 1.392 | 1.402 | 1.413 | 1.423 | 1.433 | 1.444 | | | | | | | |
| 27 Njombe Dividends | 11.595 | -3.764 | 159 | 159 | 159 | 159 | 158 | 157 | 156 | 155 | 153 | 151 | 149 | 146 | 143 | 139 | 135 | 902 | 908 | 915 | 921 | 928 | 935 | 942 | 949 | 956 | 963 | | | | | | | |

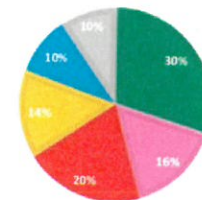
INPUT DATA

BALANCE SHEET AT COD TIME

BREAK DOWN VALUE WACC WEIGHTED

| | | | | | |
|---------------------------------|--------|----|-----------------------------------|---------------|-----|
| 27 Senior loan | 20.000 | 61 | Origination costs | 400 | 1% |
| 28 NPV | 29.411 | 62 | Capex including DHTL | 23.650 | 88% |
| 29 Leverage ratio | 2,87 | 63 | Financials pre COD | 1.650 | 6% |
| 30 Ratio Debt / Ebitda | 7,71 | 64 | DSRA 6m | 963 | 4% |
| 31 Wacc | 7,0% | 65 | Project loan advisors fee | 300 | 1% |
| 32 Financial charges all in | 5,0% | | TOTAL ASSET | 26.963 | |
| 33 Project rate return IRR | 8,9% | | | | |
| 34 Tax on Profit | 30% | | | | |
| 35 Brullli equity share | 60% | 71 | Equity | 963 | 4% |
| 36 Opex to revenue | 20% | 72 | Brullli soft loan/mezzanine | 6.000 | 22% |
| 37 Option O&M cash retained = 1 | 0 | 73 | Senior loan | 20.000 | 74% |
| 38 PSO Expected production GWh | 43 | | TOTAL LIABILITIES + EQUITY | 26.963 | |
| 39 Brullli firing value | 1.317 | | | | |

Legend: Investment (Green), Interests (Red), Opex (Yellow), Brullli dividends (Blue), Njombe dividends (Pink), Tax (Grey)



4. Problem and Solution

The main issues to date are:

- To obtain a Letter of Intent from Tanesco according to the new Rules and Law approved by the GoT, confirming the nominal power of 10 MW and the new reduced tariff of 78,3 USD / MWh,
- To arrange the senior loan facilities with DFI's and/or primary reputable domestic and international bank, as to solve the matter related to the credit ranking of the Tanesco off-taker.

5. Future Plans

As soon as solved the matters stated on the above point No. 4, it is planned to start with the kick-off of the project, and complete the construction phase, subject to environmental weather conditions on the river flow, within 36 months.

Dar es Salaam, June, 19th - 2020

Director & CEO

Firmato digitalmente
da Gian Luigi Montorsi
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