



To:

Dennis Nderitu, Managing Partner
Aegis Brentwood LLP
P.O. Box 4402, #112 Rangers Court, South C, Nairobi 00506, Kenya

20/08/2023

By e-mail

Subject: Expression of Interest on behalf of the Belgian Investment Company for Developing Countries ("BIO") (the "Letter")

Dear Sir,

We are writing in connection with the Information Memorandum, the Financial Model, other draft project documents and previous discussions related to the two greenfield solar PV projects, Upgrade Energy is currently developing in Tanzania, respectively the Gua 5 MW project, located in the Songwe District, and the Isangawana 8 MW, located in the Mbeya Region (the "Project") and regarding which you have invited us to express an interest in investigating a potential financing in the form of a credit facility (the "Investment").

After reviewing the preliminary information you made available to us with regard to the Project, we can confirm that the Project is within the country and sector focus of the Belgian Investment Company for Developing Countries ("BIO"). We understand that you are currently seeking long-term debt financing and are pleased to express BIO's interest in considering long-term senior debt financing arrangements and to further analyzing a potential financing of the Project with you.

BIO is a company limited by shares (*société anonyme/naamloze vennootschap*), incorporated in 2001 and owned by the Belgian State. BIO's mission is to support a strong private sector in developing and/or emerging countries, to enable them to gain access to growth and sustainable development with the aim of achieving the Sustainable Development Goals. BIO has been successfully supporting several infrastructure projects in the energy sector involving local and international sponsors in Asia, Latin America and sub-Saharan Africa over the past few years.

At this stage you will appreciate that we have not yet carried out any due diligence, obtained any internal approvals or discussed any documentation in relation to this transaction and are not able to provide detailed proposed terms for any financing for the Project. From our preliminary appraisal of the information you have made available so far, we can consider the following indicative terms that we think could apply to the financing of the Project:

Facility:	Senior secured debt financing.
Amount:	Max USD 10 million in total for the 2 projects.
Borrower:	An SPV to be set up and owned by Upgrade Energy.



Tenor and repayment profile:	Maximum 15 years door-to-door tenor. Debt repayment profile sculpted in line with cash flow projections to achieve an annual DSCR of 1.20x based on a P90 production profile.
Grace Period:	Reflecting the construction period of the Project + buffer.
DSRA:	Min. 6 month-Debt Service Reserve Account
MMRA:	To be determined (subject to the opinion of the lender's technical advisor ("LTA")).
Interest Rate:	A fixed rate equal to the swap rate (IRS) of the same tenor and repayment profile corresponding to the Term Sofr + margin [350-500] bps; aligned with the market and subject to the: due diligence, final financial structure, PPA tariff and outcome of the negotiation of the security package.
Fees:	<ul style="list-style-type: none"> - Upfront fee 1.5% of Facility Amount, - Commitment fee 1.00% of undrawn and uncanceled Facility Amount; - Other fees' amount to be determined in due course (a.o.: monitoring fee, waiver, fee prepayment fee, cancellation fee).
Appraisal fee:	Appraisal fee USD 20,000.
Covenants:	Min DSCR for debt sizing 1.20x (P90 scenario); Dividend blocker 1.15x; Event of default 1.10x.
Debt/Equity ratio:	Maximum gearing 80:20; equity to be fully funded upfront.
Security:	1 st ranking security package customary for this type of project finance transactions <i>pari passu</i> with other senior lenders, if any; including a security over all assets (contracts, future revenues, accounts, land, etc.) and a security over the shares held by the sponsors in the borrowing special purpose vehicle.
Sponsor's support:	Sponsor's support up to [X%] (subject to due diligence and LTA's opinion) of Project costs to fund any cost overrun until Project's completion date. Share retention will be assessed in due course.

BIO's approval process is conducted in a 2-step approach:

- Clearance in principle is based on a satisfactory preliminary assessment of the then available: project information and documentation, investment and financing plan, KYC information, draft term sheet and financial model, and allows BIO to enter into detailed due diligence, which includes a site visit and meetings with the relevant stakeholders.



- Final Approval granted by the BIO Board of Directors based on a satisfactory analysis of the findings of the technical, commercial, legal, insurance, environmental and social due diligence and allowing BIO to start the legal documentation phase.

Insurance, environmental & social, technical & legal aspects will need to be examined and/or validated by independent external consultants (whose appointment and scope of work is to be coordinated amongst Lenders) and the costs thereof are to be borne by the Borrower.

BIO adheres to a set of environmental and social principles and considerations which are reflected throughout the investment process, including in the due diligence, contracting and monitoring phases. For more information on BIO's E&S commitments and how these are translated into the investment policy, please see BIO's environmental and social policy and other information available on BIO's website (<https://www.bio-invest.be/en/es-strategy-policy>).

This Letter does not constitute an offer or commitment by BIO to further investigate and discuss a potential financing. This Letter is neither an offer nor a commitment by BIO to provide any financing. Any financing that may be offered by BIO in due course is conditional on a number of processes and matters, including: the satisfactory outcome of due diligence in respect of the Project, the Company and its stakeholders; completion of customer identification procedures; internal approvals by the competent corporate bodies of BIO, negotiation and execution of satisfactory legal documentation and satisfaction of conditions precedent included therein.

We look forward to having further discussions with you on this Project and please, do not hesitate to contact us should you have any further questions.

Yours faithfully,

Belgian Investment Company for Developing Countries NV/SA

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