CONCLUSION OF DEVELOPMENT AGREEMENT IN RELATION TO ANFA PLACE SHOPPING CENTRE REFURBISHMENT

1. INTRODUCTION
Shareholders are advised that, the Company, through its wholly-owned subsidiary Grit Services Limited ("GSL"), entered into a development agreement ("Development Agreement") with Freedom Property Fund and DIF Co Limited, both wholly-owned subsidiaries of Grit, and Boyzana International Limited ("the Developer"), a wholly-owned subsidiary of Gateway Delta Development Holdings Limited ("Gateway Delta"), on terms in which GSL appointed the Developer to manage and execute the refurbishment works to the Company’s Anfa Place Shopping Centre in Morocco ("Development"). Gateway Delta is a property development company that undertakes property developments in Africa.

2. CLASSIFICATION OF THE AGREEMENT
The Government Employees Pension Fund ("GEPF") holds 27.6% of the issued share capital of Grit. The GEPF also holds 48.53% of the issued share capital of Gateway Delta, the holding company of the Developer. Since the GEPF is a material shareholder of Grit and of Gateway Delta, the JSE Limited ("JSE") has determined that Gateway Delta is a related party of Grit as it is an associate of a material shareholder. Accordingly, the Development Agreement constitutes a small related party agreement for purposes of the JSE Listings Requirements.

Given that the Development Profit (defined below) is less than 5% of Grit’s USD market capitalisation, the Listing Rules of the Stock Exchange of Mauritius Ltd ("SEM") and the Listing Rules of the London Stock Exchange ("LSE") relating to the treatment of related party transactions shall not apply in this case.

3. FAIRNESS OPINION
The directors of the Company appointed BDO (South Africa) Inc as the independent expert ("Independent Expert") to compile a fairness opinion on the Development Agreement in terms of paragraph 10.7 of the JSE Listings Requirements. The Independent Expert has considered the terms and conditions of the Development Agreement and is of the opinion that the terms and conditions of the Development Agreement are fair to the shareholders of the Company. A copy of the fairness opinion is available for inspection at the Company’s registered office for a period of 28 days from the date of this announcement.

4. RATIONALE
The rationale for appointing Gateway Delta to undertake the Development is as follows:
- Gateway Delta assumes the full development risk, which largely mitigates the potential delivery risk for Grit;
- Gateway Delta provides development funding (there are few, if any, other developers in Africa that are able to do this), which will enable Grit to pursue the Development without introducing potential volatility in returns to shareholders;
- the management of Gateway Delta have significant expertise in project management and delivery of assignments within Africa; and
- Grit holds a 19.98% shareholding in Gateway Delta; therefore, Grit can recoup a portion of the Development cost.

5. CONTRACT PRICE

The total contract price payable by GSL in terms of the Development Agreement is the fixed sum of USD25,088,033 ("Contract Price"), which comprises of the following direct costs (to be recovered by the Developer at zero margin): (i) contractor cost of USD8,980,684; (ii) consultant costs of USD1,720,926; (iii) development costs (including tenant installation costs and mall operating costs) of USD7,315,906; (iv) value-added tax of USD3,366,193; and (v) financing costs of USD700,000. The balance being the Development Profit is payable to the Developer.

The development management profit payable to the Developer in terms of the Development is USD 3,004,324 ("Development Profit").

The Contract Price, including the Development Profit, is payable within 30 days of delivery of a certificate by the project manager to GSL certifying that the Development, except for minor outstanding work and defects, has been completed.

6. CONDITIONS PRECEDENT AND EFFECTIVE DATE

The Development Agreement is not subject to any conditions precedent and is effective immediately.

7. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT

The Development Agreement contains representations and warranties by each of the parties to the Development Agreement in favour of each other which are standard for agreements of this nature.

The Development Agreement provides for variations, guarantees and penalties which are standard for agreements of this nature.

By Order of the Board

26 June 2019

FOR FURTHER INFORMATION PLEASE CONTACT:

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NOTES:
Grit Real Estate Income Group Limited is a leading pan-African real estate company focused on investing in and actively managing a diversified portfolio of assets in carefully selected African countries (excluding South Africa). These high-quality assets are underpinned by predominantly US$ and Euro denominated long-term leases with a wide range of blue-chip multi-national tenant covenants across a diverse range of robust property sectors.

The Company is committed to delivering strong and sustainable income for shareholders, with the potential for income and capital growth. The Company is targeting an annual dividend yield in US$ of 8%+ and a net total shareholder return inclusive of net asset value growth of 12.0%+ per annum.*

The Company currently holds primary listings on both the Main Market of the London Stock Exchange (LSE: GR1T) and on the Main Board of the Johannesburg Stock Exchange (JSE: GTR), while its listing on the Official Market of the Stock Exchange of Mauritius Ltd is termed as a secondary listing (SEM: DEL.N0000).

Further information on the Company is available at http://grit.group/

*These are targets only and are not a profit forecast, there can be no assurance that they will be met.

Directors:
Peter Todd* (Chairman), Bronwyn Corbett (Chief Executive Officer)*, Leon van de Moortele (Chief Financial Officer)*, Ian Macleod*, Nomzamo Radebe, Catherine McIlraith*, David Love*, Sir Samuel Esson Jonah*, and Bright Laaka (Permanent Alternate Director to Nomzano Radebe)

(* Executive Director) (* independent Non-Executive Director)

Company secretary: Intercontinental Fund Services Limited

Registered address: c/o Intercontinental Fund Services Limited, Level 5, Alexander House, 35 Cybercity, Ebène, 72201, Mauritius

Transfer secretary (South Africa): Computershare Investor Services Proprietary Limited

Registrar and transfer agent (Mauritius): Intercontinental Secretarial Services Limited

Corporate advisor and JSE sponsor: PSG Capital Proprietary Limited

Sponsoring Broker: Axys Stockbroking Ltd

SEM authorised representative and sponsor: Perigeum Capital Ltd

This notice is issued pursuant to the LSE Listing Rules, JSE Listings Requirements, SEM Listing Rule 11.3 and the Mauritian Securities Act 2005. The Board of the Company accepts full responsibility for the accuracy of the information contained in this communiqué