

Trans-Caledon Tunnel Authority (TCTA)

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|-------------|--------------|
| WSP4 (LHWP) | ZAG000020009 |
| WSP5 (LHWP) | ZAG000020017 |

As established by Notice No 2631 in Government Gazette No 10545 of 12 December 1986, and revised by Notice No 277 in Government Gazette No 21017 of 24 March 2000 (the *Notice of Establishment*). A Schedule 2 Public Finance Management Act No. 1 of 1999 (PFMA) entity.

UPDATE ON LIQUIDITY AND THE IMPACT OF THE LAND BANK DEFAULT

BACKGROUND AND SUMMARY

TCTA is releasing the following update in response to Noteholder and Lender enquiries about TCTA's exposure to the Land and Agriculture Development Bank's (Land Bank) following the recent announcement of liquidity challenges at that institution.

TCTA has exposure to Land Bank Promissory Notes, at this stage; this is expected to have some negative impact on liquidity, but it should not significantly affect TCTA's ability to meet its obligations to Noteholders, Lenders and Suppliers.

LIQUIDITY POSITION

Liquidity across TCTA's projects ranges from good (relative to expected expenditure) to robust.

As part of the planning for the impact of the Covid-19 crisis on operations and financial risk, TCTA shifted most of its cash into call accounts at the big five South African banks. As a result TCTA's projects have been able to meet their obligations through the lockdown period and are in a good position to continue to do so for the foreseeable future.

Cash and Cash Equivalents Across TCTA Projects (at 30 April 2020 - millions of Rands)

| Category/Project | Call Deposits | NCDs & Term Deposits | Land Bank Promissory Note | CPD & Money Market Funds | Total by Project |
|--------------------------|---------------|----------------------|---------------------------|--------------------------|------------------|
| VRS | 2 533 | 429 | 100 | 994 | 4 055 |
| BWP | 44 | - | - | 2 | 46 |
| VRESAP | 84 | - | - | 14 | 98 |
| MMTS-2 | 396 | 19 | - | 10 | 425 |
| KWSAP | 83 | - | - | 58 | 142 |
| MCWAP-1 | 431 | 15 | - | 249 | 695 |
| Total by Category | 3 570 | 463 | 100 | 1 327 | 5 461 |

The table below shows the estimated time to depletion of TCTA's project cash resources, given normal expected expenditure and assuming no cash inflows. TCTA's most vulnerable project has cash to cover about 2 months' worth of expenditure.

Days cash on hand relative to Projected Expenditure (30 April 2020 – millions of Rands)

| Project | Current Cash Balances | Estimated time remaining depletion of cash | | Undrawn CP & RC facilities |
|---------|-----------------------|--|-----------|----------------------------|
| | | No of Days | Date | |
| VRESAP | 98 | 60 | 29 Jun 20 | 450 |
| BWP | 46 | 137 | 14 Sep 20 | 700 |
| VRS | 4 055 | 211 | 27 Nov 20 | 6 500 |
| KWSAP | 142 | 316 | 12 Mar 21 | 750 |
| MMTS-2 | 425 | 316 | 12 Mar 21 | 514 |

Land Bank Exposure

The VRS Project holds a R100 million Land Bank Promissory Note as part of the funds put aside for the payment of the WSP4 and WSP5 coupons and the WSP4 redemption on 28 May 2020. Based on the Land Bank's announcements regarding its liquidity challenges, TCTA is currently working under the assumption that the Note will not be redeemed on its legal maturity date, although at this stage there is no indication of how long the Land Bank's default will last.

Impact on Liquidity

This will have a negative impact on the VRS project's liquidity, however, there are sufficient funds to for TCTA to make payments on the WSP4 and WSP5 coupons and the WSP4 redemption on 28 May as well as for the project's other obligations to be met. From a liquidity analysis point of view, the missing R100 million reduces the VRS project's days cash on hand from 211 (to 27 November) to 187 (to 3 November).

Days cash on hand relative to Projected Expenditure (30 April 2020 – millions of Rands)

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| VRESAP | 98 | 60 | 29 Jun 20 | 450 |
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| VRS | 3 955 | 187 | 3 Nov 20 | 6 500 |
| KWSAP | 142 | 316 | 12 Mar 21 | 750 |
| MMTS-2 | 425 | 316 | 12 Mar 21 | 514 |
| MCWAP-1 | 695 | Greater than 335 days | After March 2021 | 200 |

ACCOUNTS RECEIVABLES

Developments in TCTA's ability to collect on its accounts receivables from the Department of Water and Sanitation (DWS) are the main determinant of TCTA's medium-term liquidity position.

At this stage the DWS accounts receivables position is healthy, with all projects receivables being within the contracted payment terms (30 days).

Total TCTA Outstanding Receivables and Debtors Days (28 April 2020)

| Millions of Rands | Last Payment Received | | | Last Invoice Issued | | Current Accounts Receivables | | |
|-------------------|-----------------------|---------------|--------|---------------------|-------------|------------------------------|-----------------------|--------------|
| | Invoice Period | Date Received | Amount | Invoice Period | Date Issued | Current Outstanding | Weighted Average Days | No of Months |
| LHWP | Jan 2020 | 22 Apr 20 | 618 | Feb 2020 | 12 Mar 20 | 533 | - | 1 |
| BWP | Feb 2020 | 31 Mar 20 | 13 | Mar 2020 | 1 Apr 20 | 13 | - | 1 |
| VRESAP | Feb 2020 | 16 Apr 20 | 56 | Feb 2020 | 12 Mar 20 | - | - | 1 |
| MMTS-2 | Feb 2020 | 30 Mar 20 | 70 | Feb 2020 | 6 Mar 20 | - | - | 1 |
| KWSAP | Jan 2020 | 28 Feb 20 | 15 | Feb 2020 | 12 Mar 20 | 25 | - | 1 |
| MCWAP-1 | Mar 2020 | 30 Mar 20 | 27 | Mar 2020 | 6 Mar 20 | - | - | 1 |

If the current, positive trend in accounts receivables continues, it is projected that most of TCTA's projects would not require any outside funding or liquidity support for the remainder of the 2020/21 financial year. The exception to this is the VRESAP project, which might require some liquidity support in the first quarter of 2021.

TCTA will keep Noteholders and Lenders updated of any new developments or changes to these projections.

Acronyms:

VRS: Vaal River System Water Resources Development Projects (Incorporating the Lesotho Highlands Water Project (LHWP) & Acid Mine Drainage (AMD))
BWP: Berg Water Project

VRESAP: Vaal River Eastern System Augmentation Project
MMTS-2: Mooi-Mgeni Transfer Scheme – Phase 2
KWSAP: Komati Water Scheme Augmentation Project
MCWAP: Mokolo-Crocodile Water Augmentation Project

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