Mozambique / Gas Supplier to the World

5 September 2019

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Section 1 / Introduction to Standard Bank

INTRODUCTION TO STANDARD BANK (1/2)

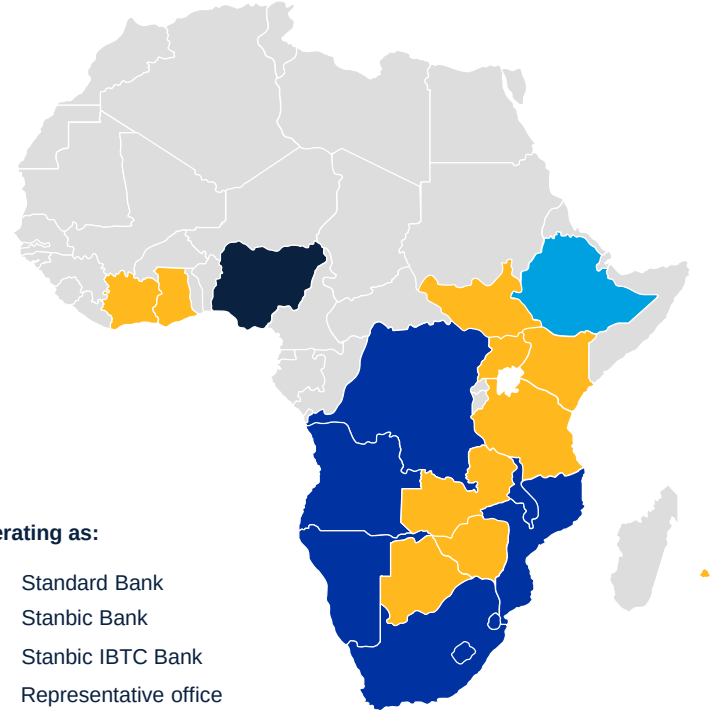
Over **150 years** of experience in Africa

Largest bank in Africa by assets, capital and headcount

Approximately **48,000 employees** in 20 African countries

Headquartered in **Johannesburg**

Standard Bank has an unrivalled presence in sub-Saharan Africa with on-the-ground presence in 20 African countries



Operating as:

- Standard Bank
- Stanbic Bank
- Stanbic IBTC Bank
- Representative office

Source: *Standard Bank – Nedbank-FNB-ABSA FY2018 Financials, and Bloomberg December 2018*

INTRODUCTION TO STANDARD BANK (2/2)

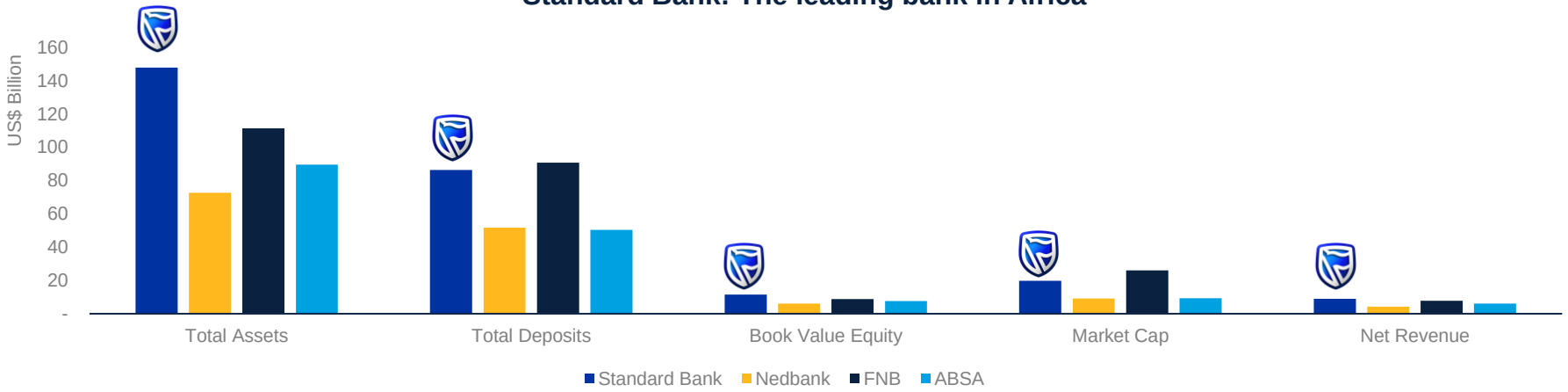
Our Presence

- Largest Pan-African footprint
- In-country connections and expertise
- Excellent cross-border connectivity
- Local balance sheet

Our Focus

- Exclusive Africa focus
- Specialization in commodities
- Full suite of CIB products
- Unrivalled local expertise

Standard Bank: The leading bank in Africa



STANDARD BANK'S INPUT IN SHAPING SECTOR DECISIONS

Mozambique Fuel Subsidy

We compiled a macroeconomic review of Mozambican fuel subsidies, the financial implications and future optionality

- Specialist Economists
- Peer Market Review
- Mozambique Political / Economic Expert Input
- Scenario Analysis
- Standard Bank Report

2015 — Subsidy Abolished ✓

Mozambique LNG

We combined rigorous analysis with expert input on the Mozambique economy and political landscape and economic modelling

- Mozambique Political / Economic Expert Input
- Specialist Economists
- Two-way APC Engagement
- Standard Bank Report

Opportunity for key stakeholders to consider findings before public release

Aug 14 — Enabling Law ✓

Nov 15 — Decree Law ✓

Afungi GTL Study

We We compiled a macroeconomic study of a potential [38,000] bpd and [50-80] MW Gas to Liquids Project for Shell

- Specialist Economists
- Review of previous projects in Mozambique
- Domestic Gas Recommendations
- Scenario Analysis
- Standard Bank Report

2018 — Released to stakeholders ✓

Within SSA, Standard Bank has finalized a major LNG Macroeconomic Study for leading IOCs intended for public release in February 2019

Rovuma LNG

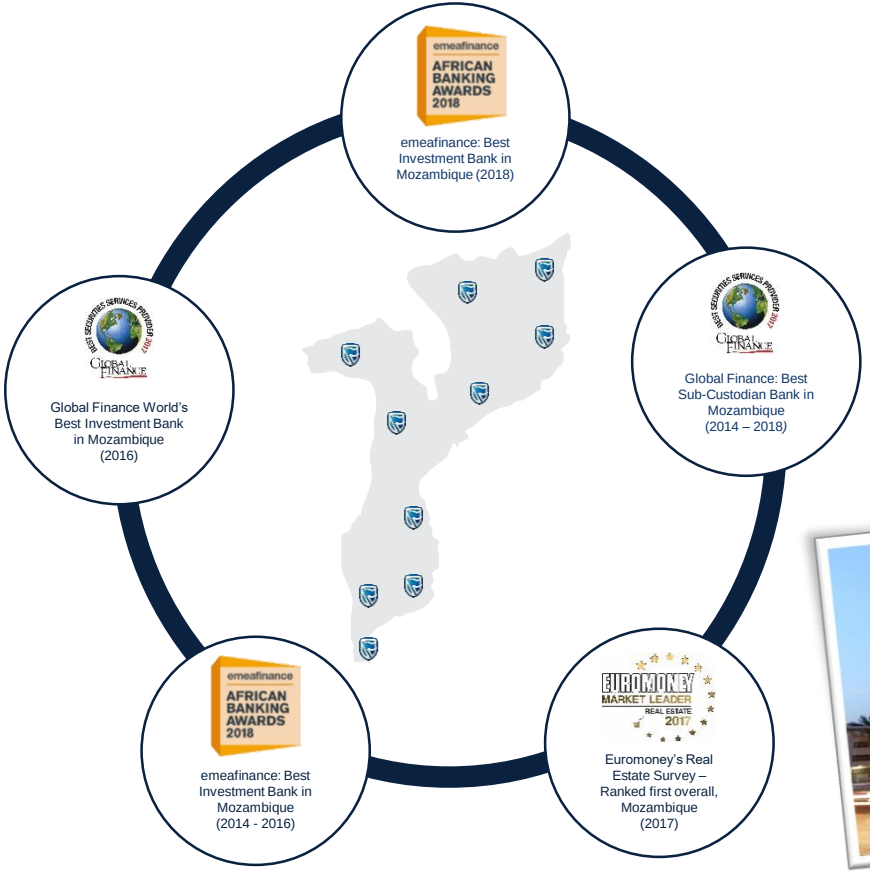
For ExxonMobil, we combined rigorous analysis with expert input on the Mozambique economy and political landscape and economic modelling

- Mozambique Political / Economic Expert Input
- Specialist Economists
- Two-way XOM Engagement
- Standard Bank Report

Opportunity for key stakeholders to consider findings before public release

2018 — Released to stakeholders ✓

STANDARD BANK IS THE LEADING BANK IN MOZAMBIQUE…



- Universal Financial Services Provider
- First commercial bank to start operations in Mozambique in 1894
- Wide branch network across the country and strong digital capabilities
- Best investment bank in Mozambique
- Best custodian bank in Mozambique

53 branches and **233** ATMs

Over **1,100** employees

3rd largest bank by assets

First commercial bank in Mozambique

Mozambique Snapshot

Mozambique's peaceful political climate and natural gas prospects sustain investor outlook

Key Figures	
	2018[1]
Population[1]	28.7m
GDP Growth	3.4%
Nominal GDP	USD 14.7bn
Inflation	3.9%
Fiscal Deficit	-4.4%
Mozambique Reference Rate[2]	20.20%
Gross International Reserves	USD 3.04bn (3.5 months of import cover)

Stable political environment. Government of Mozambique continues engaging with the largest opposition party towards a sustainable Peace status. All major parties focus on 15th October general elections.

Mozambique was hit by two cyclones (in Central and Northern regions) in the first half of 2019. GDP growth is expected to decelerate from 3.4% in 2018 to 2.7% in 2019, as a result of the cyclones and uncertainties related to the elections.

As a result of a tight monetary policy from a relatively-independent Central Bank, inflation has remained within single digits.

FIDs for the Rovuma Basin LNG projects are expected to enhance confidence in the economy.

Notes:
1 National Statistic Institute
2 Prime Lending
Sources: Economist Intelligence Unit, World Bank, Central Bank of Mozambique

OUR INVOLVEMENT IN MOZAMBIQUE'S OIL & GAS SECTOR

Standard Bank has been involved in Mozambique's Gas sector since 2002 and has developed market-leading credentials

Concerning the original onshore Sasol developments, Standard Bank:

- Acted as sole Commercial Bank MLA of the original ROMPCO financing
- Funded ENH's share of the CMG infrastructure financing
- Acted as Financial Adviser and Joint MLA of the ROMPCO refinancing
- Acted as Financial Adviser to CMH in respect of its refinancing
- Acted as primary banker and financier to the leading domestic gas player, Matola Gas Company

Specific involvement in relation to Areas 1 and 4, to date:

- Completed the landmark 2014 Area 1 Macroeconomic study (included in the Cabinet-approved Mozambique LNG POD)
- Completed the landmark 2019 Area 4 Macroeconomic study, with the POD being approved 8 weeks after its public release
- Acted as the largest Commercial MLA & Onshore Account Bank / Security Trustee for Coral FLNG (the only African bank involved at Financial Close)
- Acted as ECIC Agent for Mozambique LNG since 2015 and have negotiated and signed a major financing Commitment Letter
- Provided a major financing Commitment Letter to Rovuma LNG
- Completed and provided to stakeholders a Macroeconomic study for Shell's Afungi GTL & Power Project

STANDARD BANK IN MOZAMBIQUE: KEY ADVISORY AND FINANCING CREDENTIALS

- LNG
- Phase 1 trains
- Offshore discoveries
- Key centres
- Planned Transmission
- Gas pipeline
- Producing gas fields
- IPP

Nacala Logistics Corridor
USD 2.3 billion
Mandated Lead Arranger
Standard Bank

Cahora Bassa
Acquisition Finance
Bridge Facility
Mandated Lead Arranger
Standard Bank

Petromoc
USD 29m term facility
Mandated Lead Arranger
Standard Bank

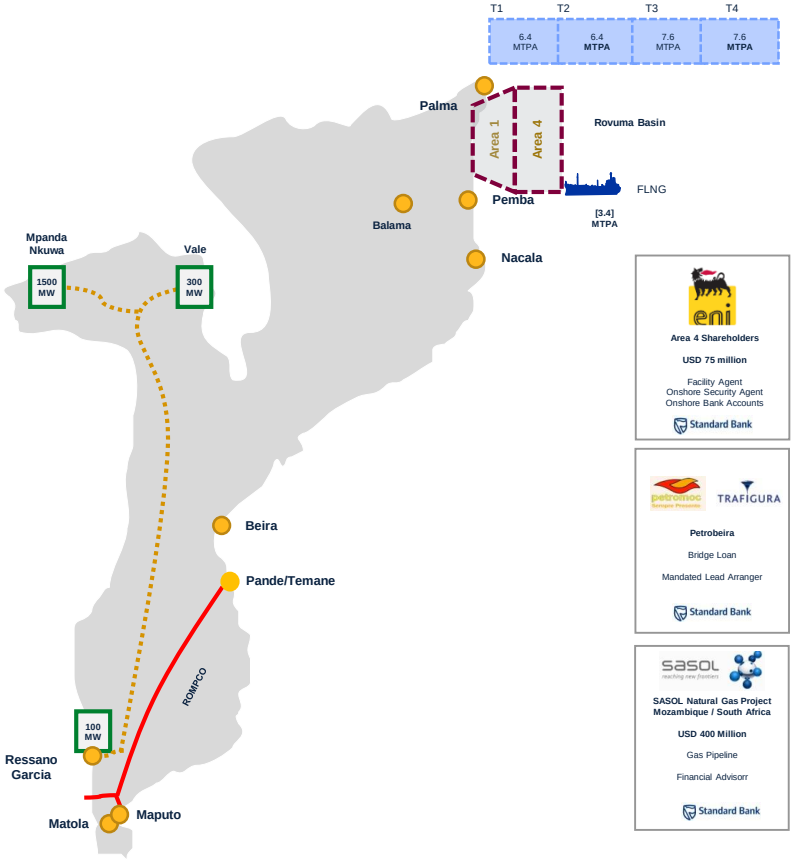
Mphanda Nkuwa Dam / Hydroelectric Power Plant
USD 3 billion
Financial Advisor
Standard Bank

SASOL Natural Gas Project Mozambique / South Africa
USD 400 Million
Gas Pipeline
Lead Arranger and Underwriter
Standard Bank

Companhia Mozambique de Gasuduto ("CMG")
USD 120 million
Lead Arranger and Underwriter
Standard Bank

Gigawatt
100 MW IPP Project
Mandated Lead Arranger
Standard Bank

Matola Gas Company SARL
USD 24 Million
Refinance facilities and Carbon-credit backed facilities
Mandated Lead Arranger
Standard Bank



Area 4 Shareholders
USD 75 million
Facility Agent
Onshore Security Agent
Onshore Bank Accounts
Standard Bank

Area 1 Shareholders
Macro-Economic Study
Financial Adviser
Standard Bank

Area 4 Shareholders
Macro-Economic Study
Financial Adviser
Standard Bank

Aafungi Gas-to-Liquids
Macro-Economic Study
Financial Adviser
Standard Bank

Petrobeira
Bridge Loan
Mandated Lead Arranger
Standard Bank

Companhia Mozambique de Hydrocarbonas SARL (CMH)
USD 100 million
Expansion Capex Facility
Financial Advisor
Standard Bank

Portos e Caminhos de Ferro de Mozambique - ("CFM")
USD 60 million
Bridge Loan
Main Lead Arranger
2014
Standard Bank

SASOL Natural Gas Project Mozambique / South Africa
USD 400 Million
Gas Pipeline
Financial Advisorr
Standard Bank

Port Maputo
USD 70 million
Port Concession
Mandated Lead Arranger
Financial Advisor
Standard Bank

Mozal 1
Club participant and underwriter of ECA Tranche
Standard Bank

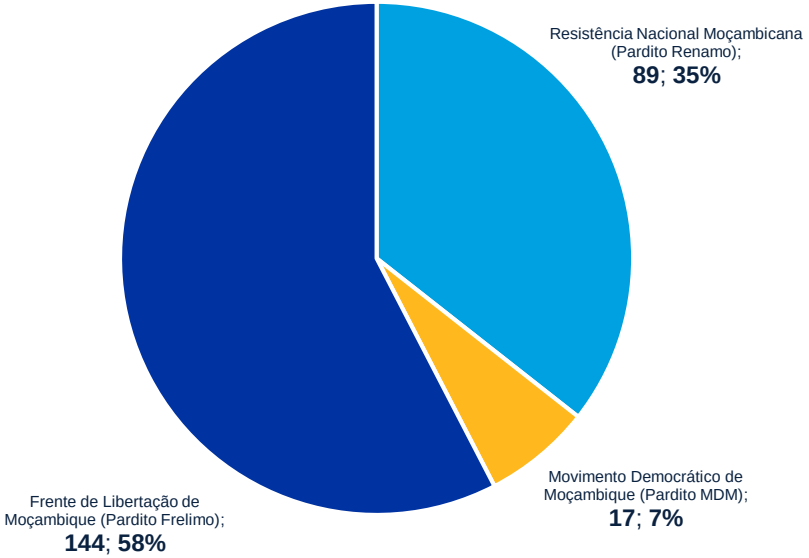
LOCAL CONTENT CONSIDERATIONS

	Key consideration
Local Content	• Local Content requirements are outlined in the Decree Law of 2014 • Area 1 has made a commitment to spend the equivalent of 10% of the project value (~USD 2.5bn) on local content (Area 4 USD 3bn) • According to Article 10 of the 2014 Decree Law, a Project must submit a local content plan to the GoM every three years. The current local content plan included as part of the Plan of Development which was approved in 2018.
Local Ownership	• LNG Projects are exempt from local ownership requirements (i.e. Petroleum Law and Mega Project Laws), however ENH already holds a 15% stake in Area 1 and 10% in Area 4 • Although ENH benefitted from a free-carry during the exploration phase, they are likely to require financial support to effect the requisite equity contribution for FID
Trickle-Down to local corporates	• GoM has high expectations regarding the impact in economic activity; especially concerning the procurement of products and services from Mozambican companies in the project value chain • Anadarko has made a commitment to spend the equivalent of 10% of the project value (~USD 2.5bn) on local content, with Area 4 committing a similar percentage (USD 3bn)
Development of a NOC	• Development of a local industry as a result of domestic-gas allocations. ENH is listed as the aggregator of domestic gas. • The GoM also has an aspiration for ENH to eventually become a robust National Oil Company, with exploration and operation capabilities. Any opportunity that enables ENH to build this capacity would be aligned to this aspiration
Human Capital Considerations	• Each LNG Project has made commitments regarding employment for the project in their Plan of Development GoM has expectations of development of skills and transfer of knowledge to Mozambican nationals • Indirect employment through the value-chain
Resettlement & CSI	• Area 1 successfully implemented a Resettlement (with the assistance of the GoM) from the Project area, which strengthened its relationship with local communities • Each Area has also been actively involved in several community development initiatives from health awareness programs to educational workshops in partnership with NGOs in the area.

Section 2 / Politics and Economics

THE OCTOBER GENERAL ELECTION IS EXCEPTED TO BE PEACEFUL

Parliament composition (2014 elections)



Source: CNE; Standard Bank Research

The **peace process advanced** in Dec 2016 when Renamo declared the **cessation of military interventions.**

The 6 Aug 2019 peace accord signature between President Filipe Nyussi and Renamo leader, Ossufo Momande reflects the general sentiment that Mozambique is **turning the page into a new era of peace and political stability.**

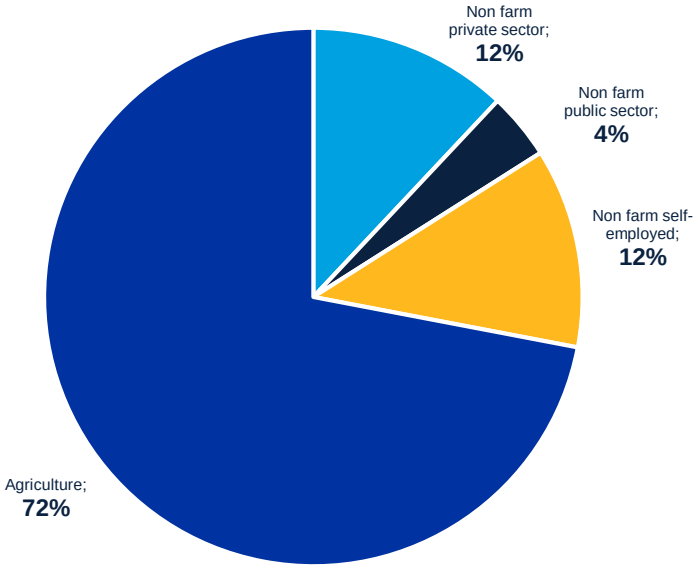
Despite the claims of a group within Renamo that the peace accord is not valid, **we remain confident that the Government will continue its efforts** to ensure that peace prevails.

For the first time in Mozambique, the **nomination of provincial governors will be made indirectly** by vote at next October general elections, which results from peace negotiation efforts and **improves decentralization.**

Armed attacks closer to the sites where the LNG projects will be developed **remain a concern.**

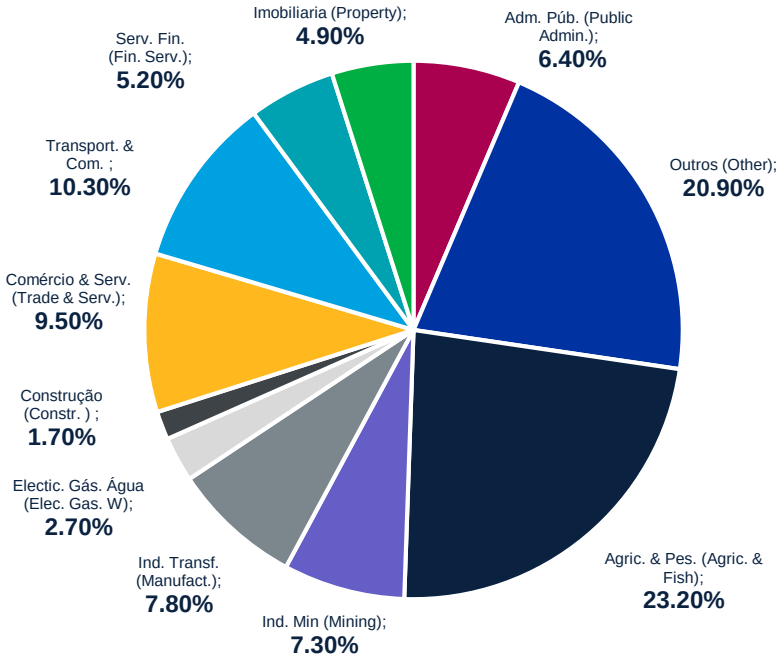
MAKING ECONOMIC GROWTH MORE INCLUSIVE REQUIRES INVESTMENT IN AGRICULTURE, MOST LIKELY FROM LNG TAXATION

Employment structure (2014)



Source: World Bank Aug 2018; Standard Bank Research

GDP structure (2018)



Source: INE; Standard Bank Research

CRITICAL SUCCESS FACTORS FOR INCLUSIVE ECONOMIC GROWTH

Ease of doing business

- Critical to ensure that LNG boon generates inclusive growth (SMEs could accelerate GDP growth from 4% to 8%)
- Security challenges needs to be resolved

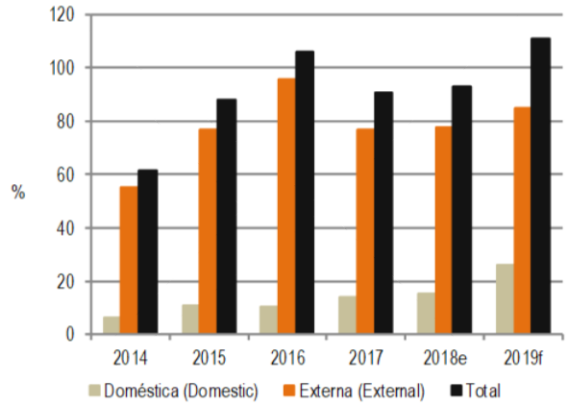
Sound macroeconomic management

- A possible program with the IMF could help speed up structural reforms
- Fiscal position only to improve by 2024 as LNG exports generate revenues

Strengthening institutions

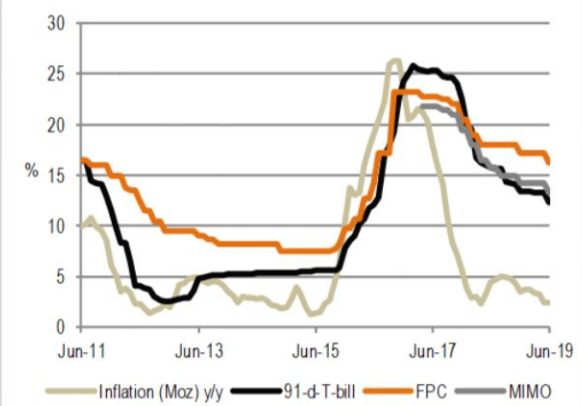
- There is room for improvement in governance and compliance matters
- Decentralization remains work in progress with fiscal pressures expected

Public and publicly guaranteed debt (PPG) as % of GDP



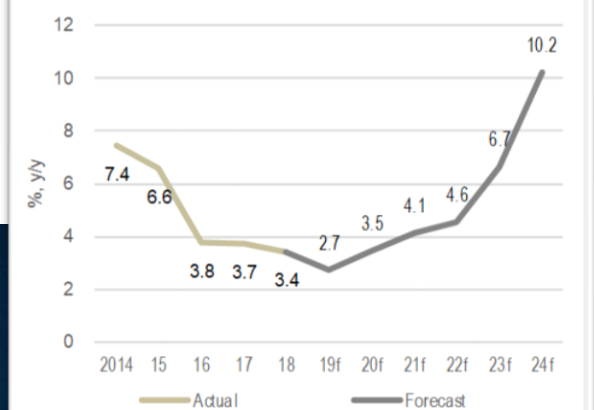
Source: Minsitério da Economia e Finanças; Standard Bank Research

Inflation and interest rates



Source: INE; Bank of Mozambique; Standard Bank Research

Real GDP change

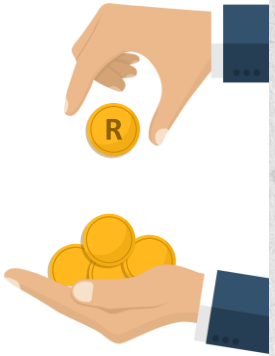


Fonte: INE; Standard Bank Research

Section 3 / FX and Operations

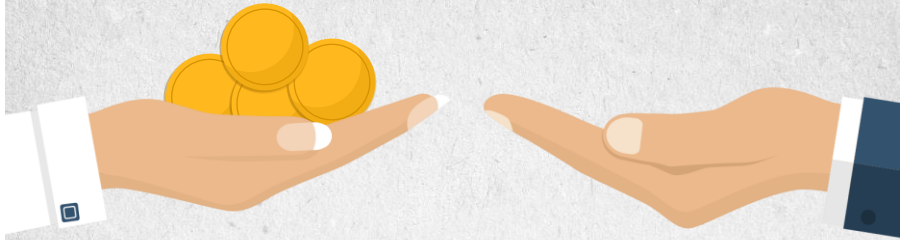
GLOBAL MARKETS

Foreign Exchange Regulations



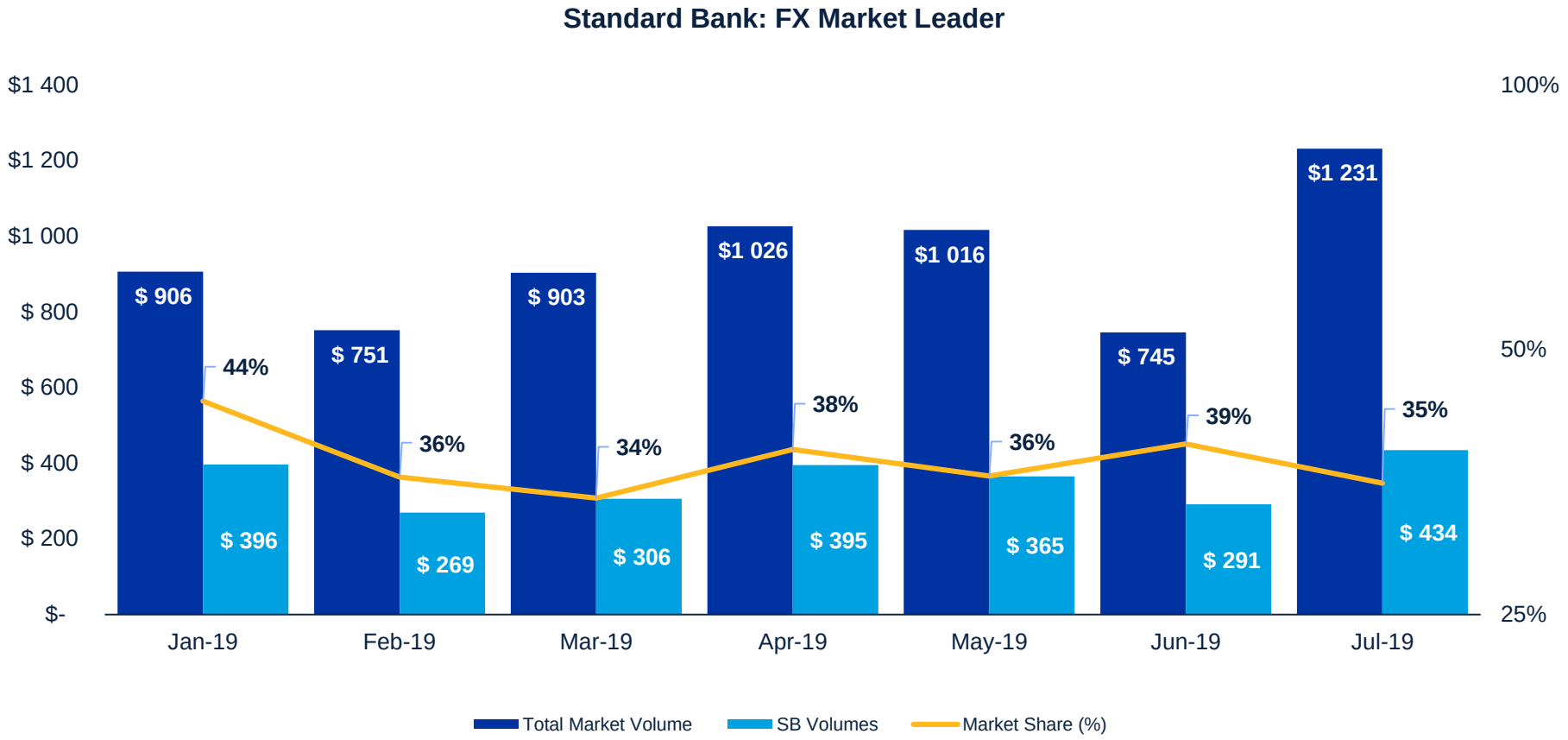
- Mozambique has foreign exchange controls in place and the Central Bank of Mozambique (“**BoM**”) is the competent authority to regulate foreign exchange operations.
- Foreign exchange payments need to be effected in foreign currency since the MZN is not freely convertible and cannot be exported from or imported to Mozambique. There are also original documents to be provided depending on the underline cross border transaction.
- Investors must register their investment projects with the Invesmtent Promotion Centre and BoM (Equity, Shareholder loans and Foreign Commercial Loans). Such register must include details on the investor, and the investment project including bank references, incorporation documents and company profile.

Lending Rules



- The Mozambican Banking Sector is regulated by the BoM.
- Banks are encouraged to lend in local currency through the Foreign Exchange (“**FX**”) law. This law forces banks to make provisions of 50% of the amounts lent if the client is not a FX earner (e.g. an exporter).
- BoM introduced in 2017 the Mozambique Prime Rate, where commercial banks use as reference rate on the Meticais lending transaction.
- Usually the Libor is the reference rate for lending in US$.
- Minimum Capital requirements will increase from MZN 70mio to MZN 1.70bio in the by 2020. Standard Bank Mozambique minimum share capital is currently at MZN 3.8bio.

GLOBAL MARKETS



Q4 2014 – Q3 2019 USD/MZN EXCHANGE RATE - REUTERS

Section 4 / Incubator

INCUBATOR: A PROGRAMME NOT JUST A PLACE

The Incubator programme is designed to provide **space**, **services**, **advice**, **mentoring, coaching**, and **support** to assist **new and growing innovative businesses** to become established and profitable or scalable. These business are selected on their ability to positively impact **the innovation stack** of **Standard Bank** as well as that of our **Business, Commercial and CIB** clients.

MOZAMBIQUE OPPORTUNITY STATEMENT

The **Global Entrepreneurship Index (GEI)** measures a **country's entrepreneurial ecosystem** by combining individual data such as opportunity recognition, startup skills and risk acceptance, with institutional measures, including urbanization, education and economic freedom.

Countries in which we operate	Ranking	GEI
Botswana	52	34.4
South Africa	55	32.6
Namibia	60	30.7
Ghana	86	22.0
Zambia	96	20.5
Nigeria	100	19.9
Rwanda	103	19.6
Kenya	107	18.2
Ethiopia	109	17.8
Cote D'Ivoire	116	16.6
Tanzania	118	15.8
Mozambique	**123**	**15.1**
Angola	125	14.1
Uganda	126	13.2
Malawi	130	12.4

These measurements help distinguish self-employment and replicative entrepreneurship from the innovative, productive and rapidly growing entrepreneurial ventures that drive real economic growth.

According to the Global Entrepreneurship Index Survey of 2017, Mozambique is currently ranked in the bottom quintile, with a placing of **123** out of **138** countries and a **GEI of 15.1**. If we compare this with other African counterparts, it clearly shows the opportunity that exists within Mozambique to develop the ecosystem and support the maturity framework for entrepreneurs.

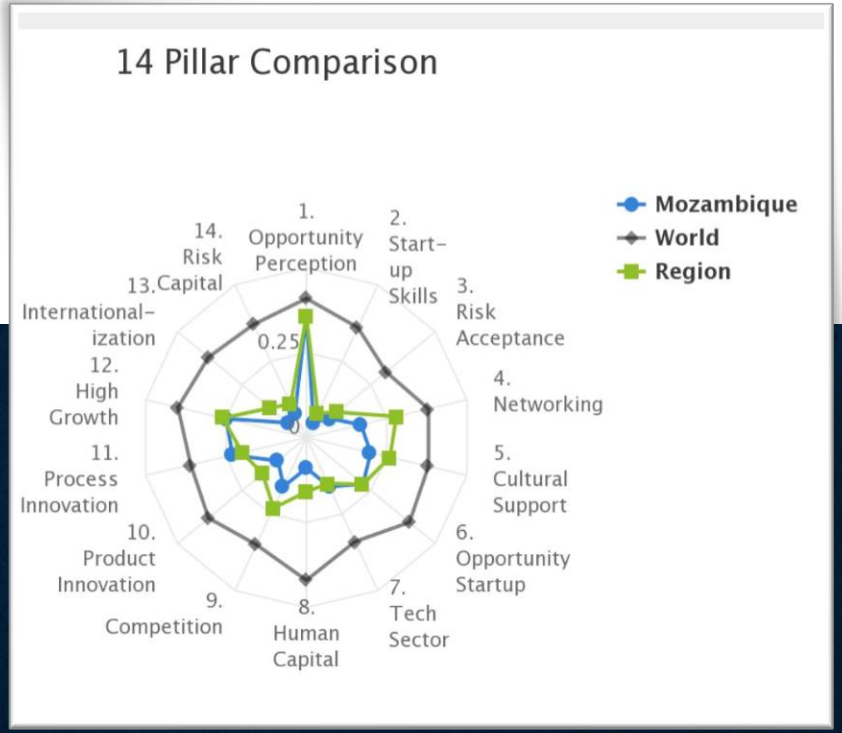
123

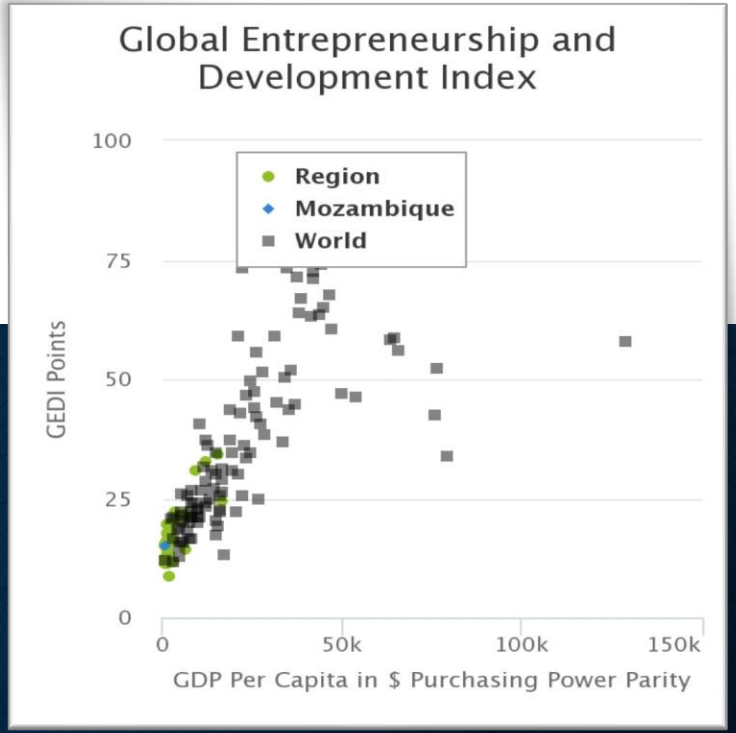
World Rank

19

Regional Rank

MOZAMBIQUE OPPORTUNITY STATEMENT





Access to Markets	Access to Funding	Thought Leadership	Access to Resources and Recognition	Mentoring, Coaching and Growth Support	People, Connectivity and Networking	Education and Access to Knowledge
Funding exists in various entities. The funding available to entrepreneurs can take on many forms and can be accessed through donor institutions, soft capital from parastatals, state grant schemes and special purpose vehicles. The bank plays a role as a funder but can also facilitate the funding needed by an entrepreneur.	The most important role that the bank can play is to provide **access to market** opportunities for entrepreneurs. This relates both to the internal value chain for the consumption of products and services through the procurement processes as well as the introduction of entrepreneurs to the business and commercial client base of the bank. This can be achieved through showcase events, Hook Up dinners and introductions or referrals.	Continuous sharing of the Incubator Model to community participants, Corporate clients, other Standard Bank Africa subsidiaries and sharing of research, information, programmes, capabilities, activities and events.	Entrepreneurs need **development and support** and a platform to showcase their achievements. Story telling is a major part of the Africa Continent, successful platforms include Lionesses of Africa and Seedstars World. Lionesses of Africa has 300k subscribers across 36 countries in Africa, giving entrepreneurs resources and recognition and is a strategic partner of the bank.	**Mentoring and Coaching** is critical to the growth and sustainability of entrepreneurs. Through business development partners Entrepreneurs are given customized growth support which may include the use of internal resources and customers or suppliers of the bank.	One of the critical growth factors for entrepreneurs is accessing the right **network and connecting** with industry representatives. Creating partnerships with networking entities is essential for supporting entrepreneurs.	Entrepreneurs need the support of **learning** institutions. These institutions provide structured content but also have a wealth of **knowledge** within their R&D facilities and those looking for practical ways to test MVP's, conduct rapid prototyping etc.

INCUBATOR STRATEGIC PILLARS

1

IDEATION PILLAR

To promote the cultivation of intrapreneurial and entrepreneurial mindsets

2

INCUBATION PILLAR

To help derisk seed and early stage businesses to reduce the failure rate %

3

ACCELERATION PILLAR

To identify high potential businesses for scalability and support unlocking the challenges to growth

4

SUPPLY CHAIN DEVELOPMENT

To identify and support high potential local SME's for supply chain integration opportunities

5

INCLUSIVE GROWTH

To promote inclusive growth across all the pillars such as gender inclusion, youth, and the informal sector

SB INCUBATOR PROPOSED SERVICE OFFERING - FRAMEWORK

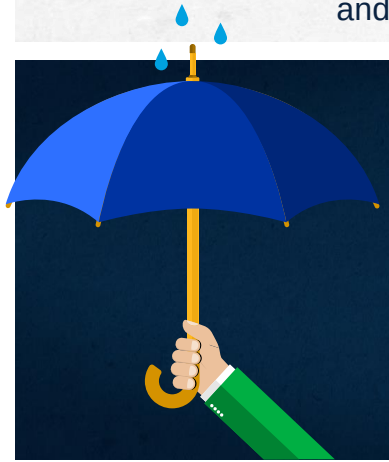
SB INCUBATOR SERVICE OFFERING										
A	**Competency based training**	Language Training Packages	Financial Literacy Packages	Business models	Design thinking	Strategic Innovation Tools	Technology training	Quality training	Sector Training	Bootcamps
B	**Business Development Support Services**	Legal Advisory	Financial (Accounting & Auditing and taxation)	HR/Fiscal	Marketing & Branding	Technology	Business intelligence & Market Research	Process Design & Standardisation	Insurance Services	HSE
C	**Access to markets**	NGO's/ clients	Diplomatic clients	Private Sector Clients	Public Sector Clients	Bank/partner supply chain integration	Cross-border opportunities	International clients		
D	**Access to Funding**	Financial institution Funding	Grants/Donor Funding	Angel Funding	Venture Capital Funding	Private Equity Funding	Local/Global Competitions			
E	**Access to mentors**	Bank specialists	Sector specialists	Private Sector	Public Sector	NGO/Donor Sector	Local/Global Entrepreneurs			
F	**Networking**									
G	**Events**									
H	**Competitions**									
I	**Co-working space**									
J	**Digital and physical library**									
K	**SME digital market place**									

Section 5 / ECIC Finance

GENERAL OVERVIEW OF ECIC (1/4)

Established in 2001 under the Export Credit and Foreign Investment Insurance Act of 1957, the **Export Credit Insurance Corporation of South Africa SOC Ltd (the "ECIC")** is the official export credit agency of South Africa:

- It is a self-sustained, wholly state-owned agency whose mission it is to facilitate and encourage South African export trade by underwriting export credit loans to enable foreign buyers to purchase capital goods and services from South Africa;
- Reports to the Minister of Trade and Industry and has authority to conclude insurance contracts on behalf of the Government of the Republic of South Africa;
- Is regulated by the Prudential Authority, operating as part of the South African Reserve Bank ("SARB") and the Financial Conduct Sector Authority.



Provides **insurance cover** to financial institutions domiciled in South Africa for losses arising from Political **(up to 100%)** and commercial **(up to 95% [100% for SMT])** risk events for up to **85%** of the South African Export Contract Value.

Minimum criteria in relation to South Africa and Africa content (goods and services) in the **South African Contract Value** need to be met to qualify for ECIC cover.

GENERAL OVERVIEW OF ECIC (2/4)

South African and African **content requirements:**

- The ECIC will only support projects (under their “tied” export program) where there is an export of capital goods and services from South Africa.
- The minimum ECIC content requirement, expressed as a percentage of the loan value is 50% South Africa content and a further 20% Africa content (the additional 20% can either originate from South Africa or rest of Africa).

South Africa content could consist of:

- The cost of materials and manufactured goods purchased from South African suppliers minus the value of any materials, goods or major components of manufactured goods, which have been imported from sources outside South Africa;
- Wages, salaries and other remuneration paid by the exporter in South Africa to its employees and such portions of wages, salaries and other remuneration payable to the exporter's employees who are performing work outside South Africa, and which is paid by the exporter in South Africa;
- Freight charges paid in South Africa;
- Insurance premiums paid in respect of a policy issued in South Africa;
- Fees and charges paid for any other services performed in South Africa on the exporter's behalf by a South African resident organisation; and
- Fees and profits accruing to the exporter that have been confirmed by the ECIC/Chartered Accountants for qualification as South African content.

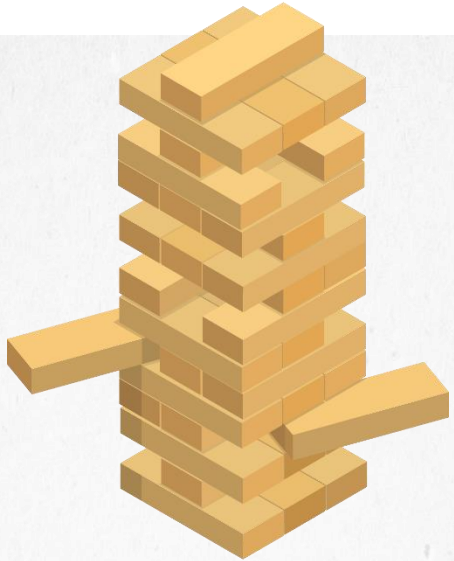
A guideline for the implementation of South African (African) content requirements is available from ECIC.

GENERAL OVERVIEW OF ECIC (3/4)

Political Risks include (90% to 100% covered):

- Confiscation, Expropriation and Nationalisation of all or any material part of the business or assets of the foreign buyer/ borrower;
- Transfer Restriction (includes currency inconvertibility) - loss incurred due to any action taken by the host government that prevents the conversion of a local currency into SA Rand or US Dollars or the transfer of SA Rand or US Dollars outside that country;
- War and Civil Disturbance - loss incurred due to acts of war, revolution, insurrection, civil war, civil commotion, terrorism and sabotage;
- Breach of Contract - loss incurred due to a material breach, by the host government, of a contract entered into with the host government;
- Change in law – discriminatory decree or regulation by the host government which prevents normal business operations of the enterprise;
- Non-honouring of Sovereign financial obligations – payment default by a sovereign borrower/ guarantor or a state owned entity;
- Terrorism and piracy (optional – may be covered on a case by case basis).

GENERAL OVERVIEW OF ECIC (4/4)



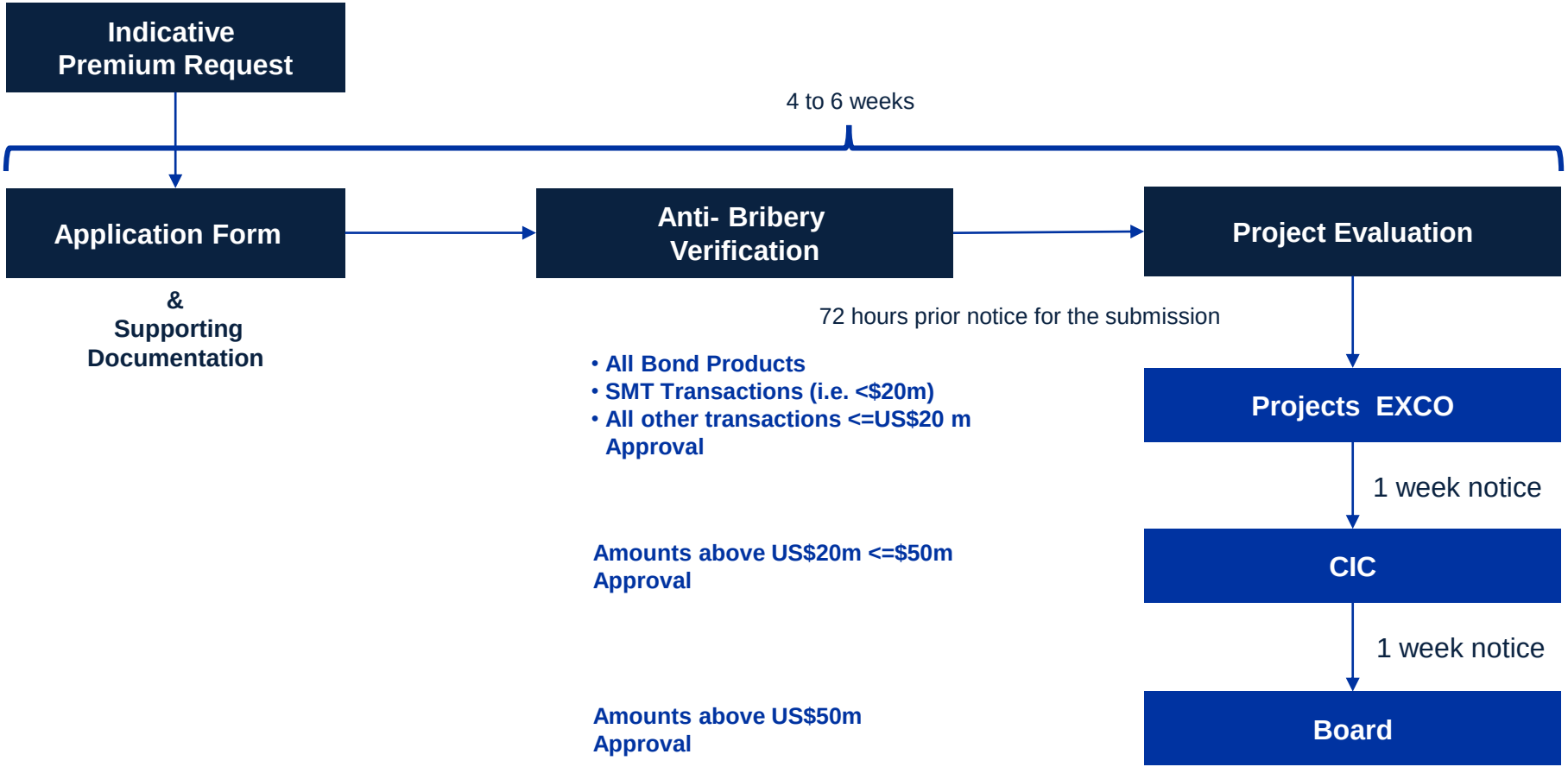
Commercial Risks include (85% to 95% covered – 100% for SMT):

- Insolvency - sequestration, liquidation or judicial management of a borrower/ foreign buyer; and
- Protracted Default – non-payment by a borrower/ foreign buyer.

A **premium is payable to ECIC relating to insurance cover** and the level depends on political and commercial risk in the host country where the goods/ project will be delivered, credit risk of the borrower, and the length of the delivery and repayment period.

- Premium indications are obtained by contacting ECIC to request a quotation, based on the proposed structure of the transaction.
- Payable up-front as a lump sum payment, as debt is drawn or annualized.

ECIC'S APPROVAL PROCESS



Section 6 / Appendix 1 – Mozambique LNG & Gas

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1 Introduction to Standard Bank

2 Energy & LNG Outlook

3 Mozambique – LNG Projects & Implications

4 Regional Implications

5 Follow-On Opportunities

Section A / Energy & LNG Outlook

GLOBAL ENERGY OUTLOOKS (1/2)

In 2019, BP **(to 2040)** published its **Global Energy Outlook,** which supplements ExxonMobil's and the IEA's 2018 annual global Energy Outlooks

Global population by 2040 estimated around **9.2 billion.** This is anchored by growth in the emerging markets with **2.5 bn people lifted out of poverty** and a **global middle class of 5 billion.**

Global energy demand projected to increase **(1.3% p.a.) more slowly** than before **due to increases in energy efficiency.** India will become the largest growth market for global energy. Global automobile liquids demand essentially flat, due to increased efficiency and EV.

GLOBAL ENERGY OUTLOOKS (2/2)

Per BP and Shell (2019) **Gas** is generally expected to **increase** in demand around **2% p.a.** with **LNG** expected to increase by around **4% p.a.,** with LNG representing **80% of the demand increase in long distance gas trade.**

Consequently, the IEA expects **gas to overtake coal by 2030** to become the **world's second leading fuel.**

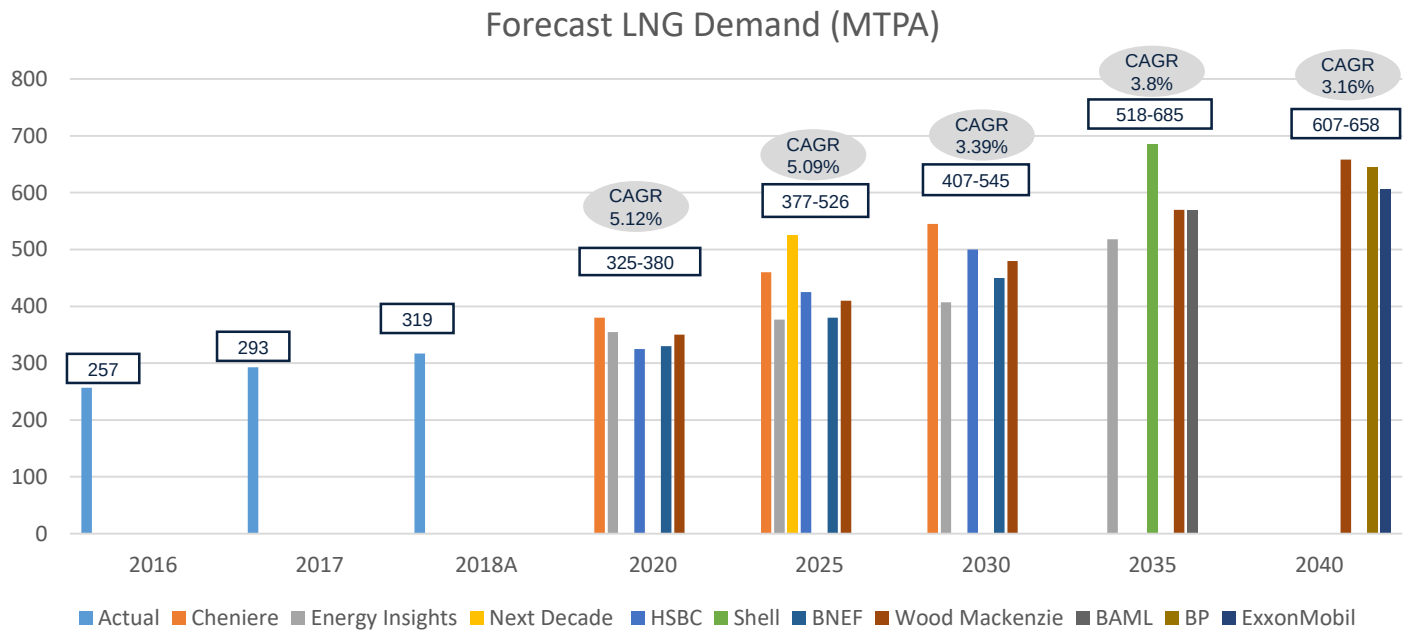
In passing, **Africa's demand for energy** is expected to **increase** at around **4% p.a.** hence the growth in Africa's own energy requirements is also exciting.
Feel free to chat to Standard Bank about this

LNG DEMAND COMPARISON

Eleven independent LNG demand forecasts outlined from 2020-2040:

1) 2016&2017: Actual International Gas Union – 2018 Edition
2) 2018A: Shell LNG Outlook 2019 P (Feb'19)
3) BAML: P (July'17) Bank of America Merrill Lynch FLNG Overview*
4) Bloomberg New Energy Finance (BNEF): P (Mar'18) Global LNG Outlook 1H2018
5) BP: P (Feb'19) Energy Outlook 2019
6) Cheniere: P (Dec'18) Corporate Presentation
7) Energy Insights: P (Sept'18) Analysis, Energy Insights Gas Intelligence Model
8) ExxonMobil: P (Feb'18) Energy Outlook 2040
9) HSBC Global Research: P (Mar'18) Global LNG: The glut abates, the crunch awaits
10) Next Decade: P (Oct'18) Corporate Presentation
11) Shell: P (Feb'19) LNG Outlook 2019 (319 MTPA)
12) Wood Mackenzie: P LNG Tool 2018

Summarised by Standard Bank

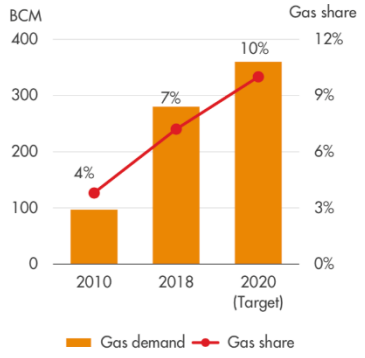


P Published

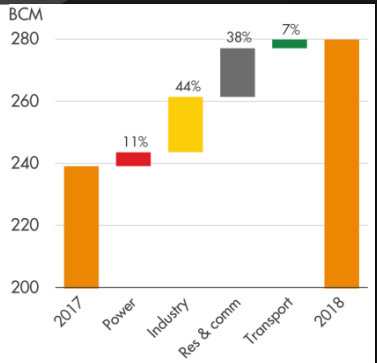
Demand is expected to increase from 319 MTPA to 632 MTPA (average) from 2018-2040 using leading industry players forecasts. To Novatek, Mozambique can become the "Fifth Pillar of the LNG world" to supply this demand

CHINESE LNG DEMAND

Chinese Government policies target



China gas demand growth by sector



As policy, China is **switching from coal to gas** ("Make Our Skies Blue Again") with **all sectors showing increased demand**.

In 2018, **LNG imports grew 41%** year on year (IGU 2019 World LNG Report), following a **47% increase** in 2017.

Example of **President Xi commitment to air quality:** http://www.chinadaily.com.cn/a/201805/19/WS5b0006b2a3103f6866ee96c9.html

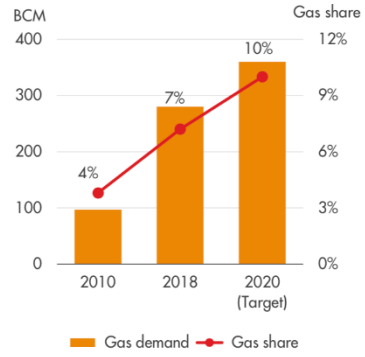
In June 2018, the **"Blue Sky Defence Action Plan"** strengthened with the addition of **28 cities** to various air pollution controls.

The IEA sees China as **"The Emerging Giant"** of gas demand.

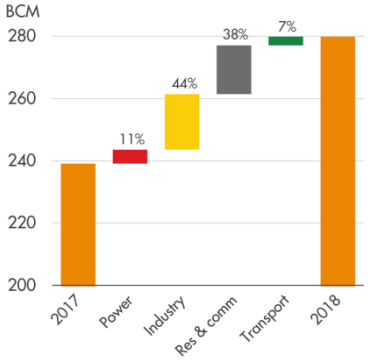
Source: Shell (2019)

CHINESE LNG DEMAND

Chinese Government policies target



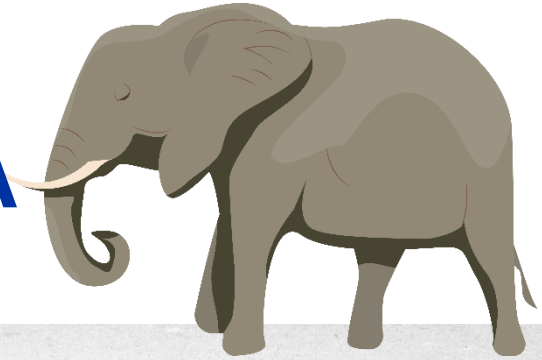
China gas demand growth by sector



Note a doubling of **2018 Chinese LNG demand:**

55 MPTA

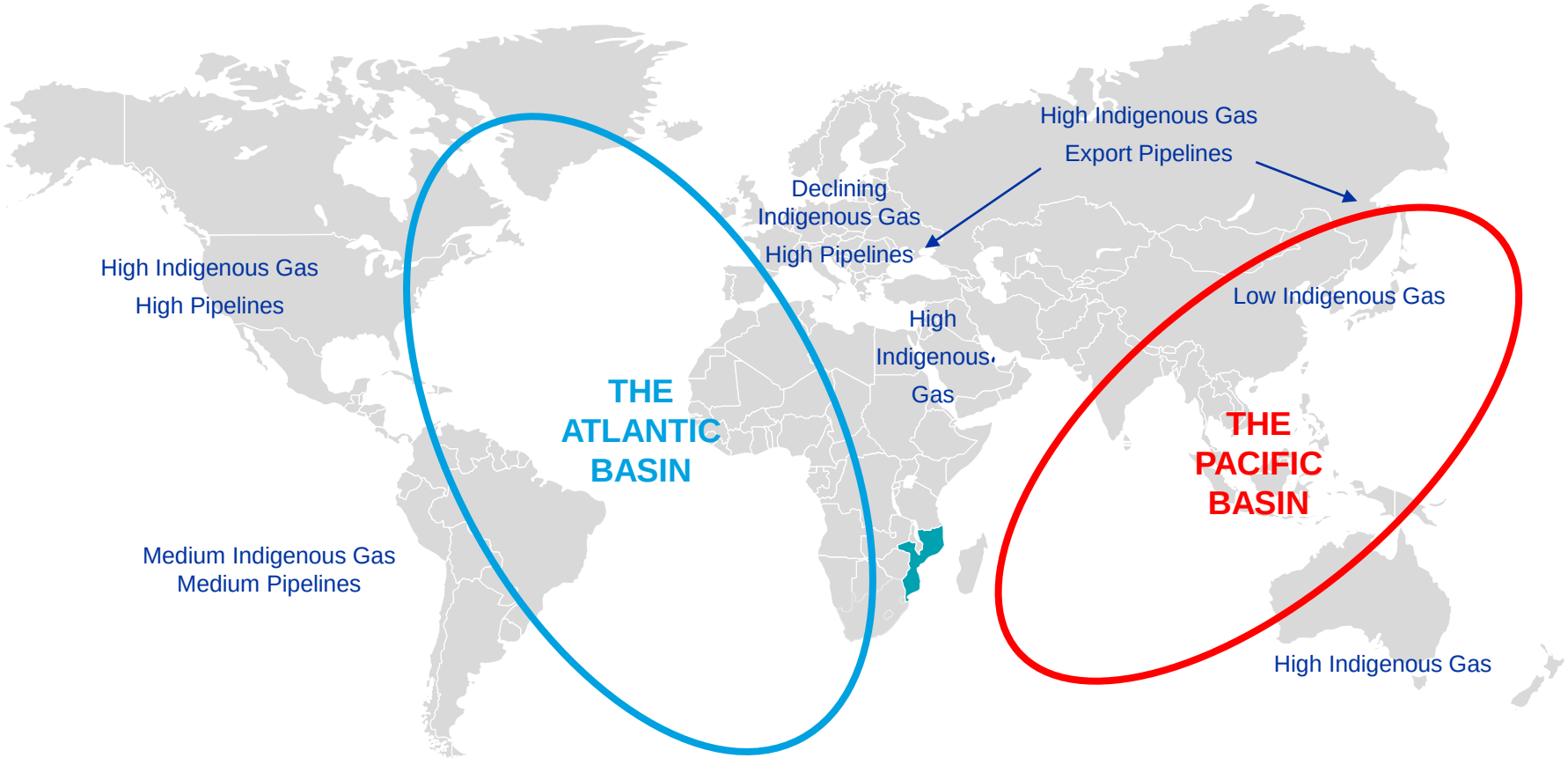
110 MPTA



Only represents a **1.6% delta** of **China's 2018 coal consumption.** Note this plausible due to storage under construction and planned (Shell 2019).

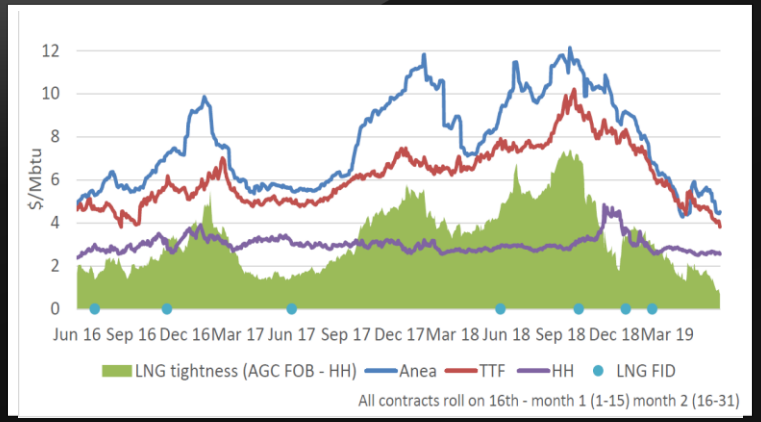
Source: Shell (2019)

THE WORLD BY LNG MARKET



GLOBAL LNG PRICES

LNG spreads (**green**) appearing range bound



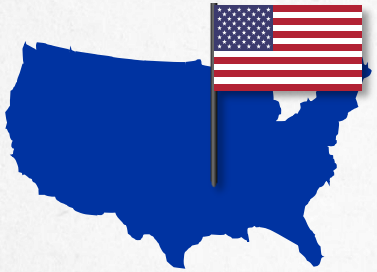
Increasing spot liquidity (**blue bar**) and decreasing prices

Left hand chart shows ‘’LNG Market Tightness’’. As US LNG can be moved globally, green shows Argus Gulf Coast LNG FOB minus Henry Hub (relative to global gas prices). Low spreads show global pricing convergence. Higher spreads indicate a need for global Final Investment Decisions (‘’**FIDs**’’). In 2019, increasing FIDs are reducing future price expectations

Right hand chart shows increasing LNG spot volumes. Blue bars are spot volumes in MTPA, red line is % market share and white line USD MBTU. Major increases in spot liquidity as new plants completed promotes lower spot prices and increased demand

Source: Argus Media, OIES, Reuters (2019)

GEOPOLITICS AND ENERGY



Oil
20 mbpd liquids (crude and NGLs) production through 2020s peaking at 23 mbpd (2030)

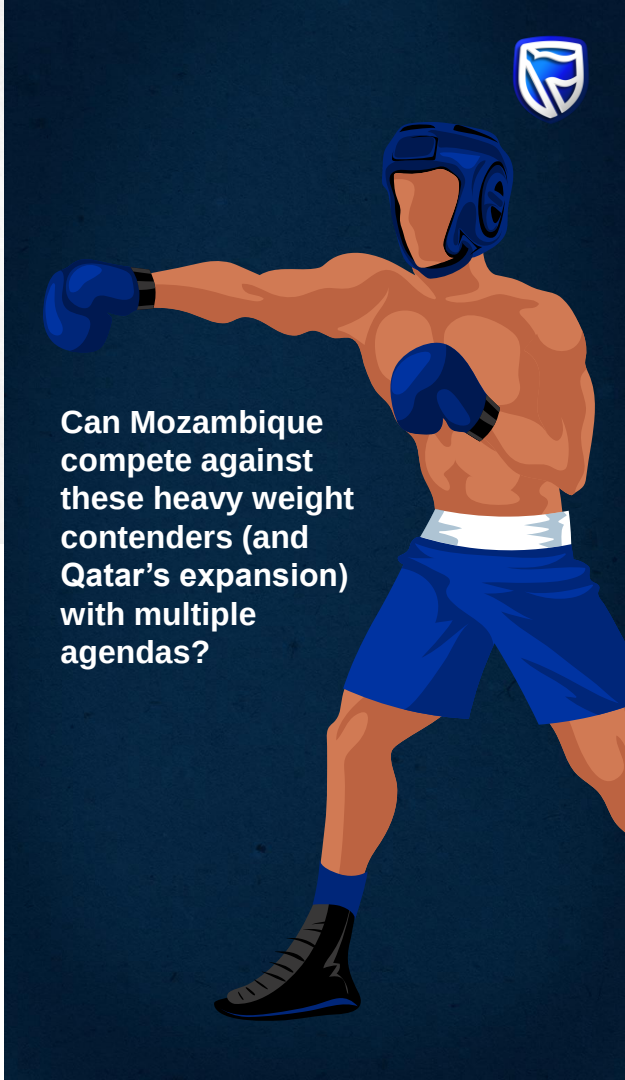
Source: BP

Gas
Gross withdrawals 101 bcfd (2018) and will increase through 2020s

Source: EIA

Increasing Gas/LNG integration to mitigate US dependency risk

Example: last week, China/Russia shipping SOEs partnering on ‘’Arctic Silk Road’’



Can Mozambique compete against these heavy weight contenders (and Qatar’s expansion) with multiple agendas?

MOZAMBIQUE'S LNG ADVANTAGES

Huge reserves

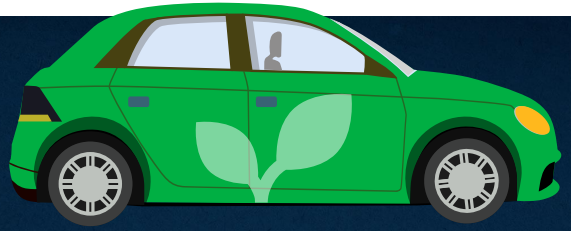
150 Tcf resources found, with **5th Licensing Round** drilling starting in 2020

Practical approach

Mozambique has passed necessary legislation to underpin LNG investment and financing of "GDP multiples". Example, Coral FLNG 2017 (Africa's largest PF and world's first FLNG PF).

Geography and Demand

Well placed to supply, in parallel, Asia, especially India and China (fast growing), and Europe (the LNG sink, noting declining indigenous production). **Mozambique is price competitive with US LNG** and well placed for regional **SSLNG/bunkering.**



Neutrality and Cleaner Energy

Well placed to provide**"non-aligned LNG",** promote **coal to gas switching** and **underpin renewables growth.**

Section B

Mozambique – LNG Projects & Implications

UNDERLYING DOCUMENTATION

The Government of Mozambique (''**GOM**'') launched the 2nd Licensing Round on **15th July 2005** and applications were submitted on **31st January 2006**

The core document is the Exploration and Production Concession Contract (''**EPCC**''). Key provisions:

5 year Exploration Period (extendable) and (up to) 5 year Appraisal Period (for non-associated gas)

30 year

Development & Production Concession granted to Concessionaire (from Plan Of Development (''**POD**'') approval), per Discovery Area.

2% PPT/Royalty

Note there is no other EPCC Domgas, Domestic Market Obligation or Regional Obligation.

Cost Gas

Concessionaire entitled to recover Cost Gas of up to **[65%/70]%** Disposable Petroleum (net of PPT) (depending on Area)

Profit Petroleum

Sliding scale allocation depending on cumulative returns and can be taken in cash or kind by GOM.

The EPCC was supplemented by the ''Decree Law'' in 2014 which in essence allows a ''world-scale LNG project financing'' along typical LNG industry norms to fit within Mozambican law.

In addition, various other Agreements are required. For example, Profit Petroleum cannot be taken in kind by GOM if it would impede LNG Sale & Purchase Agreements (''**SPAs**'')

OUR COUNTRY LNG HYPOTHESIS

FLNG

- Coral FLNG (3.4 MTPA)
  - FID June 2017, First Gas June 2022

Onshore

- Mozambique LNG (12.9 MTPA)
  - FID 18 June 2019,
    Fully Commissioned 2024
- Rovuma LNG (15.2 MTPA)
  - FID 3Q 2019
    Fully Commissioned 2025
- Unitised Trains (15.2 MTPA)
  - FID 2023-2024 (?)
    Fully Commissioned 2029
- Prosperidade LNG (12.9 or 15.2 MTPA)
  - FID 2023-2024 (?)
    Fully Commissioned 2029

Domgas Projects

- Envisaged - Gas to Liquids (''**GTL**''), Fertiliser, Independent Power Projects (''**IPPs**''), Small-Scale LNG (''**SSLNG**''), LNG Bunkering, Methanol to Olefins (''**MTO**'')

The 30 year EPCC term is limited and includes, through the Decree Law, a tight interim deadline (all PODs must be submitted by December 2023, 10th anniversary of EPCC Commercial Assessment Period). This means Sponsors must use it or lose it. Can the country's execution capacity match this market obligation?

AREA 1 - MOZAMBIQUE LNG

Our current understanding of Mozambique LNG is as follows:

On **18 June 2019**, Area 1 announced a FID on its 12.88 MTPA project

Since 2017, huge progress was made:

- The site resettlement process kicked off in November 2017
- In February 2018, the Council of Ministers **("COM")** agreed Area 1's POD
- In November 2018, Technip/VanOord were selected as offshore EPCI contractor
- On 4 June 2019, the onshore EPC Contract was signed with Saipem/Mcdermott

11.1 MTPA of SPAs were executed with Bharat, CNOOC, EDF, JERA/CPC, Pertamina, Shell, Tokyo Gas/Centrica and Tohuku

The **first two trains will also provide 100 MSCFD of Domgas** which will contribute towards the supply for the three Initial Domgas projects selected by the GOM (GL Energy - IPP; Yara – fertilizer and Shell – GTL). We envisage **developing Domgas projects at Afungi will likely require bespoke port and access arrangements.**

FID was announced on 18th June 2019

AREA 1 – ANADARKO OFFERS

Chevron (CVX),

12APR Offer **$65** per share
25% cash; 75% stock

9MAY Confirmed will not Increase Offer

Occidental (OXY),

24APR Offer **$76** per share
50% cash; 50% stock

Berkshire Hathaway

30APR BM conditionally commits to $10bn investment in OXY

Total

5MAY Offer now 78% cash; 22% stock. Total conditionally commits to buy APC African Assets for $8.8bn (inc Area 1). **23%** of 6MAY APC market cap

Anadarko Petroleum Corporation (APC)

11APR **$46.80** per share, acquired on 8th August

AREA 4 - ROVUMA LNG

Coral FLNG achieved FID in June 2017 and is under construction.

Our current understanding of Rovuma LNG is as follows:

Initial technical work assumed Rovuma LNG was 10-12 MTPA. Rovuma LNG is now using **"Mega-Trains"** (first outside Qatar), with a target plant capacity of **15.2 MTPA** and Standard Bank assumed cost of around **USD [30] bn.** The POD was submitted in July 2018 and approved **May 14th 2019**.

An **increased capacity** means **significant onshore and offshore technical work is needed.** We expect revised EPC bids in June 2019. Area 4 has committed to a **FID ''later this year''**

In its May 2019 press release, Area 4 confirmed it has secured commitments for 100% of the project capacity (expected to be from affiliate buyers), subject to approval by the GOM. This is likely to **increase the speed of executing RLNG's targeted project financing.**

We understand Domgas arrangements were also approved as part of the POD approval. The POD also includes a 17,000 TPA LPG scheme and local distribution of LPG burners and stoves to mitigate wood burning

STANDARD BANK ECONOMIC STUDY

https://www.exxonmobil.co.mz/en-mz/company/about/project-lng#/section/3-economic-benefits

Rovuma LNG will be the
largest Project in Africa's history

Standard Bank has prepared an independent Macroeconomic Study upon Rovuma LNG. We have previously analysed Mozambique LNG (2014) and Afungi GTL & Power (2018)

We envisage Rovuma LNG will take a FID **in mid-2019** and **reach Financial Close in 2019.**

The Project will be a 15.2 MTPA, USD 27bn (Low Capex) - 32bn (High Capex) Project which will **monetize 2.6 Bcf/d of Mozambique's offshore resources.**

ROVUMA LNG – HIGH CAPEX & REINVESTMENT SCENARIO

Key Project benefits include:

GDP increase of

USD 15bn p.a.

* (average real)

GNP increase of

USD 10bn p.a.

* (average real)

USD 8bn

Balance of Payments contribution p.a.

*(average real)

257,586

National employment opportunities

USD 4bn

fiscal contribution to GOM p.a.

* (average real)

Capital formation

USD 35bn

* (average real)

Major increase in Mozambique's long term real growth rate

4% to 4.8%

ROVUMA LNG – LOW CAPEX & REINVESTMENT SCENARIO

Key Project benefits include:

GDP increase of

USD 18bn p.a.

* (average real)

GNP increase of

USD 14bn p.a.

* (average real)

USD 10bn

Balance of Payments contribution p.a.

*(average real)

323,050

National employment opportunities

USD 5bn

fiscal contribution to GOM p.a.

* (average real)

Capital formation

USD 33bn

* (average real)

Major increase in Mozambique's long term real growth rate

4% to 5.4%

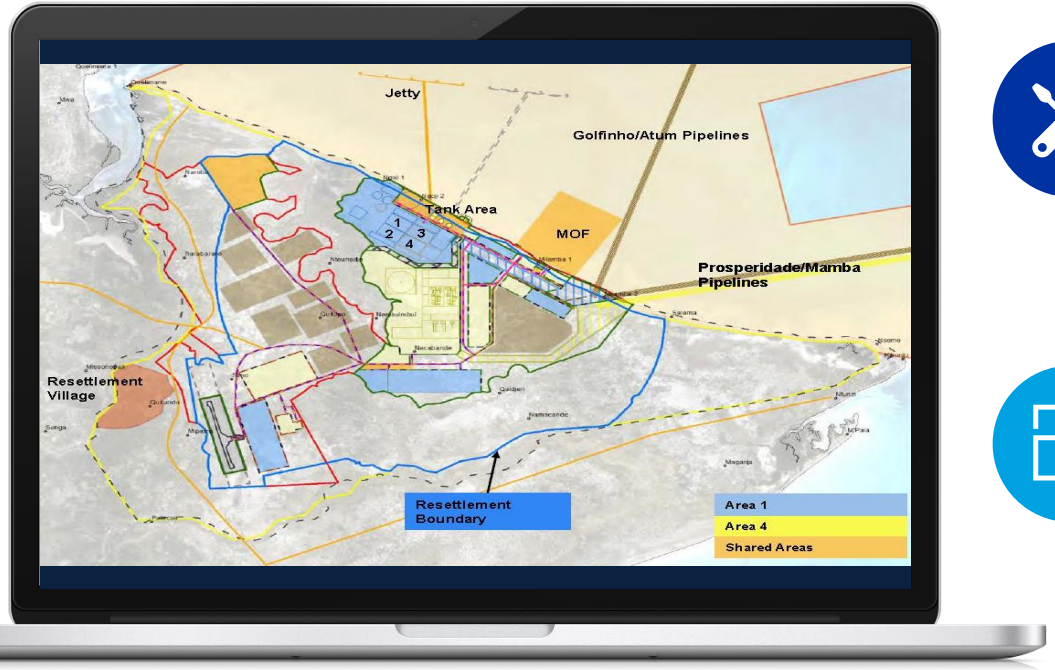
ROVUMA LNG - KEY OPPORTUNITIES AND CHALLENGES

In 2017, China **changed its energy policy** to promote coal to gas switching. Standard Bank considers Mozambique can become to China for LNG, as Australia is for minerals and New Zealand food.

Multiple mega-trains promptly developed allows the maximum amount of LNG sold to increase national prosperity, develop local content (USD 3bn commitment) and facilitate Domgas.

We are aware of **Domgas' importance.** Rovuma LNG has offered 75 mscfd per train Committed Domgas Volumes for Phase 1 and 350 mscfd long-term Domgas to the Aggregator, to help **kick-off Mozambique's Domgas projects.** As well as Domgas projects already tendered, we believe Mozambique can develop new industries such as MTO, SSLNG, LNG Bunkering and indigenous LPG. This will help GOM achieve a ''Domgas Vision'', where Domgas promptly follows LNG.

AFUNGI & RAS LAFFAN (QATAR) PARALLELS



Qatar entered into production **77 MTPA** of **onshore LNG** between **1997 – 2010.**

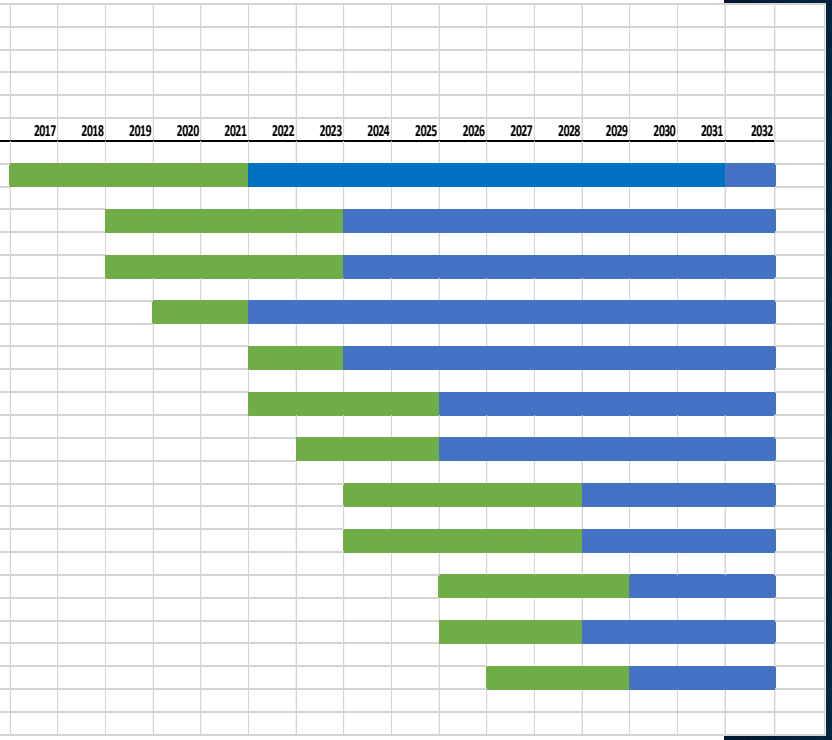
Public domain, **Mozambique** will enter into production **28.1 MTPA** between **2023 - 2025** (at the same site, per Curtis Island (Australia) and Ras Laffan). Mozambique will be building onshore LNG **more intensively than Qatar** and we expect it to continue given the limited **30 year EPCC term**

Standard Bank envisages the **Afungi site will ultimately be able to host (with Mega-Trains), over 90 MTPA of LNG production** plus a Domgas Industrial Park (most likely to the North West of the LNG trains).

‘’AS IT STANDS” PROJECT TIMETABLE

Key			
Build Period			
Operating Period			

Name/Key Sponsor	Industry	Sovereign Credit Implications	All-In USDbn Capex
Coral South FLNG (Area 4)	LNG	USD inflows (moderate)	10
Mozambique LNG (Area 1)	LNG	USD inflows (major)	25
Rovuma LNG (Area 4)	LNG	USD inflows (major)	30
Pande, Temane, Inhassoro (Sasol)	Gas/LPG	USD inflows (moderate)	1
SSLNG & Power (Various)	LNG/Power		1
Gas to Liquids (Afungi) (Shell)	Liquids	USD inflows (major)	5.5
Fertiliser (Afungi) (Yara)	Fertiliser	USD inflows (moderate)	2
Next Two Rovuma LNG Mega-Trains (Area 4)	LNG	USD inflows (major)	21
'Prosperidade" LNG (Area 1)	LNG	USD inflows (major)	20
Additional Golfinho Train (Area 1)	LNG	USD inflows (major)	7
Methanol to Olefins (Afungi) (TBA)	Petrochemicals	USD inflows (najor)	5
CCGT IPP (Afungi) (TBA)	Power	Limited	0.5
Total Capex			128



By 2024, Mozambique should have operational 4 onshore LNG trains and 1 FLNG ship. We expect 4 additional onshore LNG trains could be operational by 2029/2030, partly driven by the underlying EPCC/Decree Law requirements. This will trigger a second wave of Domgas projects.

Source: Standard Bank

‘’AS IT STANDS” PROJECT TIMETABLE

Key																				
Build Period																				
Operating Period																				
Name/Key Sponsor	Industry	Sovereign Credit Implications	All-In USDbn Capex	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Coral South FLNG (Area 4)	LNG	USD inflows (moderate)	10																
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CCGT IPP (Afungi) (TBA)	Power	Limited	0.5																
Total Capex			128																

USD 128 billion

FID by 2025

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Source: Standard Bank

Section C / Regional Implications

COMMERCIAL OBSERVATIONS (1/2)

South Africa (''**SA**'') has purchased natural gas (through Sasol) from Mozambique since 2004. Note a piped gas deal for what would otherwise be ''stranded gas'' is significantly different from a LNG project (for which there is a USD-denominated, largely oil-linked, increasingly liquid, global market).

The Decree Law does not discuss regional (non-Mozambican) natural gas export projects. Clause 9.4 favours industrial projects in Mozambique (national benefication), with Fertiliser, GTL, IPPs, MTO etc expected to receive Domgas.

GOM does not own the gas. It is owned by the Concession for the EPCC term. GOM entitlement is: PPT; negotiated Domgas; and in the future (e.g. after 7 years or so), Profit Petroleum. The latter can be taken in kind per the EPCC but will be limited by project SPA commitments under long-term SPAs.

COMMERCIAL OBSERVATIONS (2/2)

There are no limitations on SA buying LNG on commercial terms at any time. SA's limited shipping distances from Mozambique (or Angola/Nigeria) will help secure a good DES price.

More importantly, SA's high demand period (Winter) is the opposite season to the Northern Hemisphere's winter peak.

This implies SA can make competitive LNG purchases and take risks on spot pricing (noting increasing liquidity in LNG markets).

No clarity yet on who the supplying Domgas entity would be. Mozambique has defined ENH (the National Oil Company) as the Aggregator of Domgas, but there are likely to be numerous structural and bankability challenges surrounding this choice.

EXAMPLE SOUTH AFRICA DELIVERED EX SHIP (''DES'') LNG PRICING

Audience – multiply oil USD bbl * **17.4% for gas equivalent,** or **multiply USD MBTU by 5.75 for bbl price.**

US LNG can be delivered to SA at **USD 37 BOE**. Assuming Crude Oil (Brent) is **USD 63 bbl**, importing Diesel to SA costs **USD 70-75 bbl**. Spot JKM LNG (Oct) is **USD 26.22 BOE**

US LNG (USD MBTU)

Upstream	2.75 (2.50 Henry Hub (''**HH**'') * 115%). At 4 Sep, **HH 2.40** and expected to fall as Permian connects
Liquifaction	2.50
Shipping	1.25
Total	**6.50 (add 0.60 Regas so total 7.10 for gas to power (''GTP''))**

Mozambique (USD MBTU)

LNG FOB	6.82 (10.5% Brent at USD 65 bbl, centred upon Asian destinations)
Shipping	0.25
Total	**7.07 (0.60 Regas so total 7.67 total for GTP**

Other SA options include the **5.2 MTPA Angola LNG,** assuming **long-term adequate feedstock** (SA shipping distance **little more than Mozambique**). The **22 MTPA** Nigeria LNG also has a shorter shipping distance than USA (as does Cameroon). Given Atlantic Basin competition, SA may not be **the first market of choice for Mozambique's LNG**

GAS PIPELINE DISCUSSION

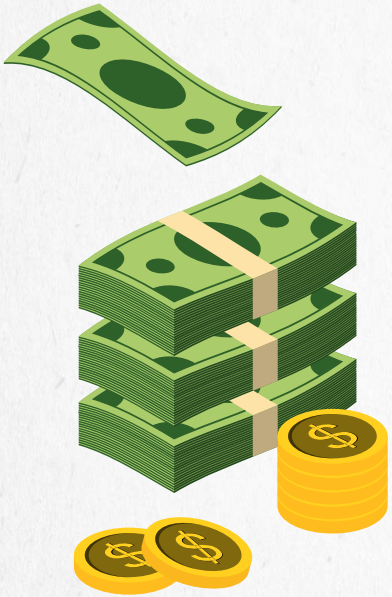
Distance between Rovuma Basin and SA (Gauteng/Richards Bay) is **c 3000 kms.**

Initial combined PPT and Domgas (c 350 MSCFD) **likely to be consumed by Domgas projects located in Mozambique.** Next LNG trains unlikely to be online until 2029 or so, with associated higher Domgas **that could supply SA**.

Piped gas is **higher credit risk than LNG** (tramline nature) and needs to be competitive for Seller and Buyer with the **alternative of importing LNG** (recall, SA is an export destination from Mozambican perspective who could be sold LNG)

Pipeline (USD MBTU)

Upstream	4.42
Pipeline	2.68 (20% premium to LNG Canada pipeline)
Shipping/Regas	0.00
Total	**7.10**

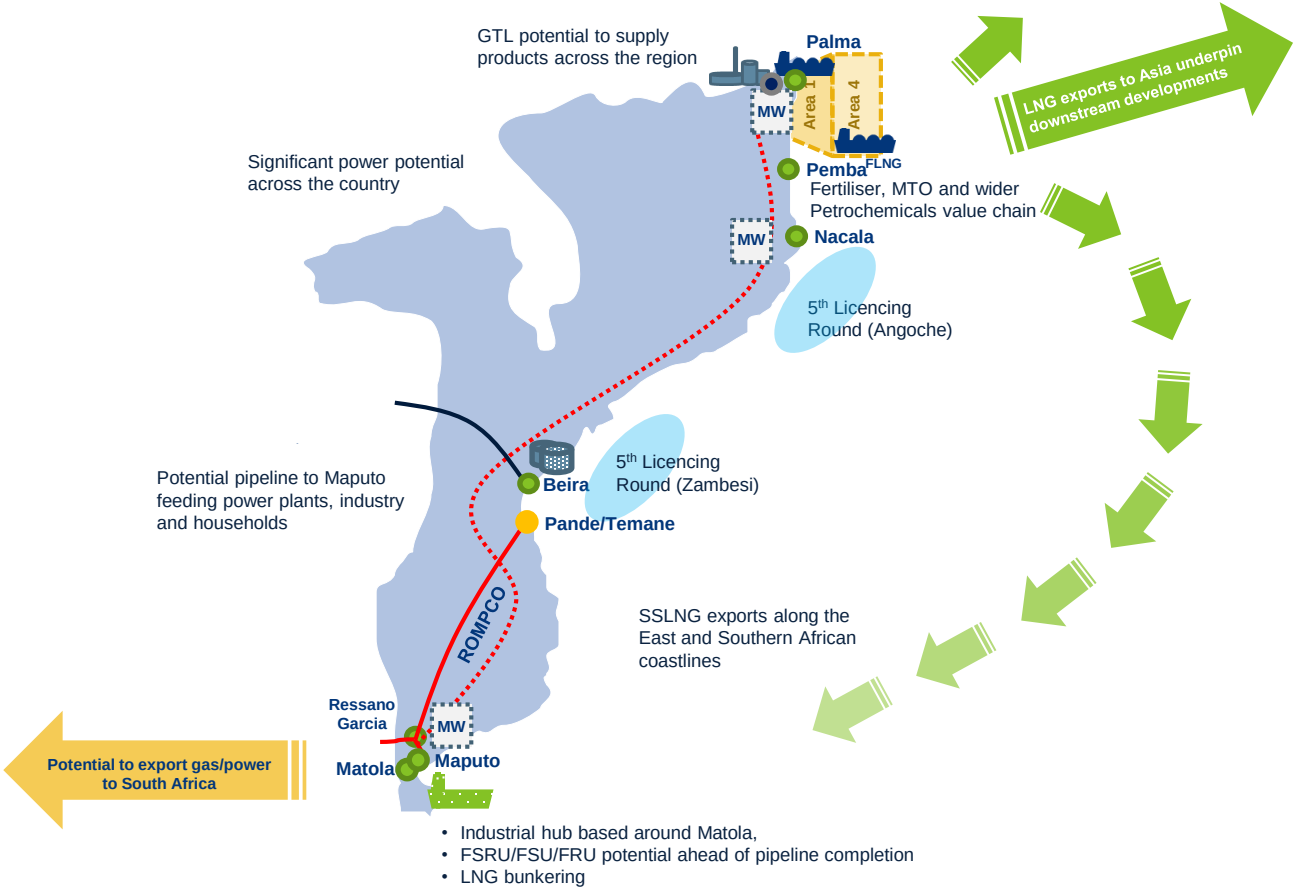


As example, a crucial question is whether the Concessionaires would **sell deep offshore natural gas targeted for SA** at **USD 4.42** when they can sell the same quantities as LNG for **6.82** (in this example). 1 Bcf/d = 1000 MW CCGT = 1 LNG train.

Who is **funding** an **USD 6-8bn pipeline?**

Further, Mozambique will drill exploration wells in the **Angoche** and **Zambesi basins c 2020,** both of which are significantly nearer to SA and the existing ROMPCO pipeline. **What happens if they find gas?**

POTENTIAL DEVELOPMENTS FUELLED BY LNG & DOMGAS



- Key centres
- Storage
- LNG
- Potential FSRU
- Gas-to-Liquids
- PetroChemical Plant
- Planned Power Station
- Gas Pipeline
- Potential Gas Pipeline
- Refined Product Pipeline
- Potential New Transmission
- Producing gas fields
- Offshore 5th Licencing Round
- Offshore Discoveries

SMALL SCALE LNG IS NEXT (AFRICA BY MTPA)

Algeria

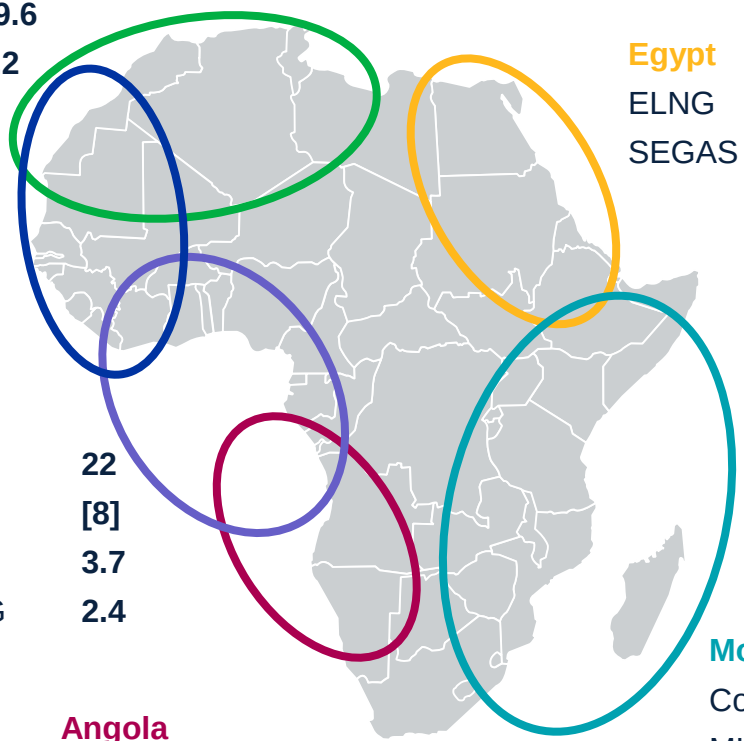
Arzew	**19.6**
Skikda	**9.2**

Senegal/ Mauritania

Tortue	**[2.5]**

West Africa

NLNG	**22**
NLNG T7	**[8]**
EG	**3.7**
Cameroon FLNG	**2.4**



Egypt

ELNG	**7.2**
SEGAS	**5**

Angola

ALNG	**5.2**

Mozambique

Coral FLNG	**[3.4]**
MLNG	**[12.9]**
RLNG	**[15.2]**

Driven by relative shipping costs and logistical convenience, we see natural zones of provision for SSLNG across Africa, with portfolio players and traders likely to drive supply growth

We see the whole African coastline as being able to be served by the early to mid 2020s

For example, Mozambique should be the dominant provider for Eastern & Southern Africa (including the Islands)

We can see how Mozambique can become the natural LNG supplier to **Comoros, DRC (East), Kenya, Madagascar, Malawi, Mauritius, Reunion, Seychelles, Swaziland, Zambia, Zimbabwe** with debate around **Tanzania**

Section D / Follow-On Opportunities

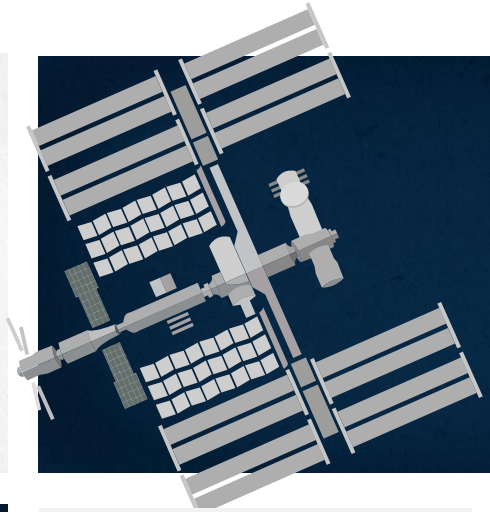
KEY NUMBERS (1/2)

USD 65bn

of **FIDs** in 2019 in a **USD 14bn GDP** (with 100% external debt to GDP)

World's most expensive object: **Gorgon LNG**

USD 54bn



World's most expensive object *ever*: **International Space Station**

USD 100bn

…but it is in the sky

From 2019, the **Afungi site, with**

USD 55bn FIDs

will be the **world's most expensive real estate** since time began, and will be a building site for the next decade.

The overall

USD 128bn

investment is scheduled to take place in a provincial **GDP** of **USD 550m.**

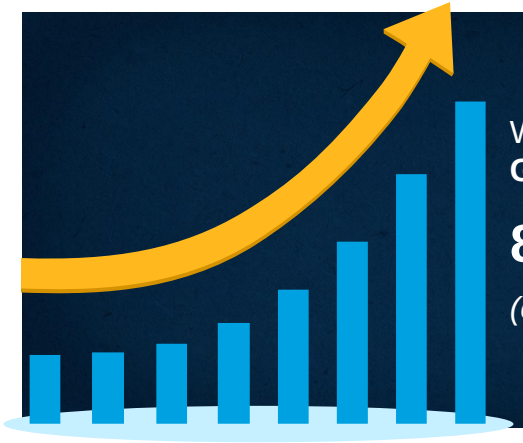
The only Cabo Delgado parallel we can think of is Guangdong Province, China (USDbn) (13% p.a.)

1978 GDP – 11

2017 GDP – 1,332

KEY NUMBERS (2/2)

Assuming both **onshore LNG FIDs:**



We expect **Mozambique's GDP** to roughly increase at

8-10% p.a. real

(over the next 30 years)

and to become the world's

LNG producer

After:

USA

Qatar

Australia

Running close with

Russia

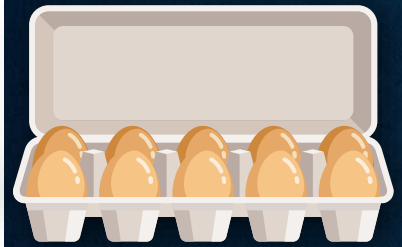
FOLLOW-ON OPPORTUNITIES (1/7)

This feeds onto major opportunities across the:

- Power & Infrastructure
- Consumer
- Agricultural
- Industrial
- Services
- Transportation
- Financial Services

sectors in Mozambique

A **major greenfield value chain** must be created in a remote area from a standing start. As one example, to build four (4) LNG trains in parallel needs among others:



2 million

eggs a month to feed the workers, thus

60,000

(not for eating) chickens laying **1.2 eggs** per day

FOLLOW ON OPPORTUNITIES – SOUTH AFRICA (2/7)

Despite the distance to Cabo Delgado, SA is Mozambique's neighbour and has an **established and deep trading relationship,** with a shared struggle heritage. There multiple direct flights between Johannesburg and Mozambique as well as good road connections to Maputo. There is also **significant existing investment by SA into Mozambique.**

The scale of the LNG / Domgas opportunity offers many opportunities for SA business:

1. **SA exports of goods and services**. For example, the SA ECIC is involved in the MLNG financing and SA DTI has been closely involved in the process. Why? A USD 128bn capex spend over a decade is a major opportunity for SA business to physically supply the projects (and associated investments).

2. **SA investors forming Mozambican companies** (including joint ventures with Mozambique nationals) to invest in, contract for and supply the LNG/Domgas investments and ensuing expenditure. Public domain, MLNG has a local content spend of USD 2.5bn and RLNG USD 3bn. Extrapolated forward, the long-term LC number could be USD 20bn (across LNG and Domgas projects).

3. **SA Human Capital** working on the LNG projects and ensuing Domgas investments, as employees, contractors, manufacturers, service providers, consultants etc.

FOLLOW ON OPPORTUNITIES – CHINA (3/7)

China is reaching out to multiple, global coastal and inland markets through the **Belt & Road Initiative**, with Mozambique recently attending the April 2019 Beijing forum. China has multiple industrial sectors connected to Mozambique, including telecoms, steel, civil, electricity and transport infrastructure

The scale of the LNG / Domgas opportunity offers many opportunities for Chinese business:

1. **Chinese exports of goods and services**. China is a major player in Mozambique (e.g. Maputo-Catembe bridge). As example, from Mozambique earning revenues from LNG sales, there will be multiple, national transport infrastructure projects to link the country and promote growth. SSLNG also offers multiple opportunities

2. **Chinese investors forming Mozambican companies** (including joint ventures with Mozambique nationals) to invest in, contract for and supply the LNG/Domgas investments and ensuing expenditure. **CNPC** has been a partner in Area 4 since 2013, with a 20% stake. Separately, MLNG has a local content spend of USD 2.5bn and RLNG USD 3bn. Extrapolated forward, the long-term LC number could be USD 20bn (across LNG and Domgas projects), resulting in multiple opportunities

3. **Chinese Human Capital** working on the LNG projects and ensuing Domgas investments, as employees, contractors, manufacturers, service providers, consultants etc.

FOLLOW ON OPPORTUNITIES – BRAZIL (4/7)

Despite the geographical distance, Mozambique has an **established and deep trading relationship with Brazil,** with a shared linguistic, cultural and colonial heritage. Despite some recent business challenges, there are multiple sectors that can benefit from Mozambique's growth, led by the **agriculture and consumer** sectors, to supplement major **mining** investments**.**

The scale of the LNG / Domgas opportunity offers many opportunities for Brazilian business:

1. **Trade Flows**. As a major agri-producer and exporter, Brazil can play a significant supplier role through increased demand for staples. Although Standard Bank understands no Brazilian ECAs are currently involved in the LNG financings, we see a major future export opportunity centred upon construction and infrastructure players, with BNDES and ABGF also having a potential role

2. **Brazilian investors forming Mozambican companies** (including joint ventures with Mozambique nationals) to invest in, contract for and supply the LNG/Domgas investments and ensuing expenditure. Public domain, MLNG has a local content spend of USD 2.5bn and RLNG USD 3bn. Extrapolated forward, the long-term LC number could be USD 20bn (across multiple LNG and Domgas projects). We see huge agricultural and agro-processing opportunities

3. **Brazilian Human Capital** working on the LNG projects and ensuing Domgas investments, as employees, contractors, manufacturers, service providers, consultants etc.

FOLLOW ON OPPORTUNITIES – SOUTHERN AFRICA (5/7)

Geographically speaking, the Afungi Site is nearer to East Africa than much of Southern Africa. For example, Palma is **646kms from Dar Es Salaam** compared to **1,957kms from Lusaka**. For this reason, it is hard to see easy opportunities for Namibia to directly benefit from the LNG. We expect Malawi and eastern Zambia/Zimbabwe businesses have the greatest direct opportunity

The scale of the LNG / Domgas opportunity offers many opportunities for Southern African business:

1. **Regional supply of goods and services**. For Mozambican businesses, it is the opportunity of a lifetime (see below). However, we can see clear opportunities for larger agricultural producers / agribusinesses in eastern Malawi and Zambia in particular (geographical proximity).

2. **Regional investors forming Mozambican companies** (including joint ventures with Mozambique nationals) to invest in, contract for and supply the LNG/Domgas investments and ensuing expenditure. Public domain, MLNG has a local content spend of USD 2.5bn and RLNG USD 3bn. Extrapolated forward, the long-term LC number could be USD 20bn (across LNG and Domgas projects). There appears a clear opportunity for **national market leaders to form a Mozambique subsidiary in the same activities**

3. **Regional Human Capital** working on the LNG projects and ensuing Domgas investments, as employees, contractors, manufacturers, service providers, consultants etc.

FOLLOW ON OPPORTUNITIES – KENYA & TANZANIA (6/7)

Geographically speaking, the Afungi Site is nearer to East Africa than much of Southern Africa. For example, Palma is **80kms from Mtwara**, **646kms from Dar Es Salaam** and **1,144kms from Mombasa** (Maputo is 2700kms from site). For this reason, we see significant opportunities for Kenyan and Tanzanian business. Crucially, Tanzanian business could gain valuable experience of LNG local content possibilities before their own potential LNG development follows in [2027]

The scale of the LNG / Domgas opportunity offers many opportunities for Kenyan and Tanzanian business:

1. **Regional supply of goods and services**. To name two - Dangote Cement has a 3 MT cement plant at **Mtwara** and the port of **Mombasa** will be busy (e.g. Alpha Logistics have reportedly won an early contract). Again, there appears obvious opportunities for agricultural and consumer businesses, especially if located close to **Mombasa** (ease of shipping). Politics permitting, Southern Tanzania (Mtwara) and Palma should become a ''**gas corridor**'' in time, with road and gas pipeline links (opportunity for China to connect the two?).

2. **Regional investors forming Mozambican companies** (including joint ventures with Mozambique nationals) to invest in, contract for and supply the LNG/Domgas investments and ensuing expenditure. Public domain, MLNG has a local content spend of USD 2.5bn and RLNG USD 3bn. Extrapolated forward, the long-term LC number could be USD 20bn (across LNG and Domgas projects). We see an opportunity for Tanzania's private sector to develop local content skills before their own LNG developments

3. **Regional Human Capital** working on the LNG projects and ensuing Domgas investments, as employees, contractors, manufacturers, service providers, consultants etc.

FOLLOW-ON OPPORTUNITIES (7/7)

From a **human perspective,**

a Mozambican child born in

2015

will have a completely different life opportunity than one born in

1975

From a country perspective, there are also **regional geo-political** and **commercial implications,** in terms of Mozambique's relations with its neighbours.

Finally, a **football perspective**.

In 2022, Qatar will host the World Cup, 26 years after First Gas, awarded only 14 years from First Gas.

Will Mozambique apply for the World Cup in the mid 2030s and host it in 2046 or 2050?

BUILDING A PARTNERSHIP

Standard Bank believes it has an **unrivalled client** and **country understanding** and **industry and banking skill set** to help you as the Mozambican LNG, Gas and wider economic opportunity evolves.

As evidence, we quote our **Mozambique LNG, Rovuma LNG and Afungi GTL Studies** (landmarks in African economic development); our leading involvement in Coral FLNG and current LNG project banking and financing involvement

Through the below pictures, we would wish to evidence how:

Standard Bank links our Macroeconomic Studies to clients' projects;

to our financing and banking activities on the same; and

in turn their surrounding communities, where as an African universal financial services organisation we serve their needs.

Section 7 / Appendix 2 – Decree Law

DECREE LAW (1/11)

Standard Bank sees the **Decree Law as a solid basis** for the **various LNG project opportunities** in the Rovuma Basin.

Clauses
Implementation and Operation
1. For purposes of the project, any Special Purpose Entity (SPE) should subject to Government approval: - Be set up in [Mozambique] - Be subject to Mozambican law - Have its principal office located in Mozambique, be endowed with human resources and be authorized to independently manage all activities related to construction, ownership, operation and use of relevant infrastructure or those related
2. The SPE with the purpose of performing activities of sale, sea transport related to the LNG Project can be established in any transparent jurisdiction outside Mozambique, subject to the approval of the Government
3. Unless otherwise agreed, the following matters are subject to Government approval: - The creation of SPE outside Mozambique - The incorporation documents of any SPE and any changes thereto; and - The transfer of shares or change of control of such SPE
4. Each SPE is obliged to present annually a report on its activities that are not related to any Development in Mozambique, with the Government having the right to audit such activities once a year
5. The Concessionaires and SPE will not be required to be listed on any stock exchange
Contracts
1. Each development can be implemented only under the terms of the EPCC or under joint terms of EPCC and Governmental Agreements, as well as under other contractual arrangements celebrated with the Government, in each case may be amended
2. The rights of contract or agreements related with the development in which the Government is a party can only be amended by mutual agreement or accordance with its provision
PPPs, Large-Scale Projects and Business Concessions
1. The participation of NOC, the share of government in the profit petroleum under the EPCC and the applicable tax regime to the Concessionaires must meet with respect to Mozambique the requirements for generation of tax revenue and positive contribution to the public treasury

DECREE LAW (2/11)

Clauses
PPPs, Large-Scale Projects and Business Concessions
1. Each period of development and production regarding a development in Mozambique will last for 30 years from the date on which its development plan is approved by the Government and that are verified any conditions precedent contained therein, being possible to extend this period in accordance with the respective contract or contracts applicable
2. Each one or more petroleum deposit will be subject to one or more development plan which shall govern the development and production operations, and such development plans shall be submitted to the Minister that oversees the petroleum sector. The development plans may be changed in order to cover significant new investments
3. Where applicable, a production master plan may be attached to the initial development plan or plans establishing a comprehensive plan for the integral and phased development of that petroleum deposit or deposits, including the forecast of subsequent development plans or changes to existing development plans
4. The Government ensures that all developments will be implemented in a coordinated manner and no development plan related to a Development in Mozambique presented by Concessionaires under an EPCC will be approved if it is likely to have a substantially negative effect on the possibility of the Concessionaires under other EPCC develop deposits relative to which those concessionaires hold rights under the respective EPCC
Sales
1. Without compromising the right of the Government to approve sales of petroleum, the right to make any marketing and marketing activities in a joint dedicated basis, in relation to the petroleum produced from any development in Mozambique as provided in the EPCC substantiates an acquired right for the purposes of no 5 of Article 2
2. Notwithstanding the dispositions of the previous number, for the purpose of sale of the quantities of natural gas belonging to the state corresponding to the Petroleum Production Tax and the share of the State in the Profit-Petroleum under the applicable EPCC, the NOC will act as authorized representative of the Government
3. The Minister that oversees the petroleum sector may delegate the NOC its competence, under the applicable EPCC to approve contract for the sale of petroleum with a maximum duration of 12 months

DECREE LAW (3/11)

Clauses
Acquisition of Goods and Services
The selection of donors and the contracts related to the Financing for Developments in Mozambique are not subject to any tender or local content requirements provided in any Mozambican law
Foreign Exchange Regime
Applies to the Concessionaires, the Special Purpose Entities and each Main Subcontractor and, when specifically referred to, the financiers, the non-resident Subcontractors and expatriate staff
1. Each of the persons above: - Open, maintain and operate one or more bank accounts in national currency and one or more bank accounts in foreign currency with any bank in Mozambique licensed by the central bank of Mozambique - Deposit and maintain values related to any Development in Mozambique in such accounts and dispose of such values, in both cases without restrictions. However, to the extent applicable, the following payments, related to the project shall be conducted with amounts deposited in these accounts: i) Tax payments and other tax obligations in Mozambique II) Payments for goods and services in Mozambique III) Payments to workers in Mozambique - Buy national currency to any lending institution authorized by the central bank operating in the domestic foreign exchange market, except for the purchase of local currency for tax payment in which case the purchase will be made directly to the central bank using the reference rate used as a result of interbank foreign exchange market
2. Each of the persons above has the right to: - Open, maintain and operate one or more bank accounts in foreign currency with any bank outside Mozambique - Receive, deposit and maintain in such accounts any values related to the project and any amounts paid to any SPE for providing services; and - Use any of these values for the following purposes: i) Payments to concessionaires as a result of petroleum sales under the EPCC II) Payments for debt service to meet due instalments, including interest, commissions and other charges and the maintenance of other provisions for debt servicing as required under the financing agreements approved by the central bank iii) Payments of operating costs and capital expenditures, including goods and services to non-resident contractors and principal contractors, staff remuneration and other obligations that are to be met abroad

DECREE LAW (4/11)

Clauses
iv) Payments for reimbursement of shareholder supplements and loans to affiliates including interest and other charges v) Payments of profits and dividends vi) Payments to the state from the sale of petroleum under the EPCC and vii) Distributions to the NOC
3.Transfers to payments referred to in point (b) of that number 1 have to be made from the accounts of the number above into the accounts in Mozambique provided for in number 1 of this article
4. After the start of production 50%of the value to be transferred according to no 3 of this article shall be converted into national currency in lending institutions authorized to operate in Mozambique
5. Each concessionaire and SPE may in accordance with the terms of any financing agreements, repay the financiers outside of Mozambique in accordance with the amortization schedule, due under any contracts related to the project directly from sales or any amount including taxes or tariffs for transporting which are deposited in bank accounts in foreign currency outside of Mozambique
6. Without compromise of any withholding tax, any principal subcontractor, non-resident subcontractor or expatriate employee referred to above is entitled to receive and retain all or any part of their remuneration in foreign currency outside Mozambique. All payments to subcontractors residents should be carried out in Mozambique
7. The log of the project's costs as foreign direct investments is made in accordance with the following procedures: - By presenting a copy of the bank bordereaux certifying the receipt of foreign currency when the investment is made through the inflow of foreign currency within 10 days of issuance - By submitting the relevant documentation when the investment is made through the importation of equipment, machinery or other material goods with 10 days of issuance - When the investment covers specialized services through the certification of auditors
8. Each concessionaire and SPE may perform capital operations, including particular the hiring of loans from SPE established for the purpose of financing from Financiers or any affiliates and the provision by that person of collateral or related guarantees concerning financing of any development with the authorization of the central bank under the same conditions as number 7
9. The concessionaires and SPE shall quarterly provide the central bank for information purposes and in agreement with the format defined by the latter a detailed list of contracts celebrated with suppliers of goods and non-resident services and provide copies of contracts if deemed necessary
10. In order to allow the monitoring of the execution of foreign exchange transactions relevant to the project the concessionaires and SPE as applicable, shall submit annually to the central bank, no later than 30 Nov the estimates of export revenues, expenses and taxes owed to Mozambique for the following year and the annual investment budget as applicable

DECREE LAW (5/11)

Clauses
Financing and Right of Financiers
1. The concessionaires and SPE may obtain financing from financiers inside or outside Mozambique, using any financial structure they deem most appropriate for the development and that has been approved by the Government, including risk hedging agreements in connection with any financing and the respective development
2. The Concessionaires and Special Purpose Entities are not subject to any ratios of “debt-equity”, of “capital adequacy” or similar financial ratios, except for those set in Financing agreements, being able to freely combine its equity with debt and otherwise structure and/or agree on the terms and conditions of the financing of their activities related to any development
3. Upon obtaining Government approval (as per clause 1) the Concessionaires and any Special Purpose Entities may provide or contract personal guarantees or undertake commitments and constitute real guarantees for any or all their rights and goods to secure any obligations under any financing, including assigning as collateral their rights under any contract, insurance and reinsurance, mortgage, pledge or in any other way encumber any good that they own, lease or chart, including any infrastructure built or used in connection with any development or any bank accounts
4. The shares or holdings in the share capital of any Concessionaire or Special Purpose Entity may be pledged in favour of financiers for the purpose of any financing
5. Any mortgage on concession rights will be recorded in a special register to be created, maintained and operated the relevant Government institution (Moz: INP)
6. Once the structure of any financing is approved by the Government, including the guarantees to be provided, any additional approval from the Government or from any other authority or public body shall be required for the pledging of rights under contracts relating to the implementation of developments
7. Once the structure of any financing is approved by the Government, any Lender may exercise its rights and resort to any means of redress available under the terms of such financing, including the right to enforce any security given, without needing, at any time of implementation, of any additional approval from the Government or any other public authority
8. It is extendable to financiers the right granted to licensed banks, pursuant Decree No 29.883 of August 17, 1939, to engage in activity in the Republic of Mozambique, of being able to be a beneficiary of a pledge of goods qualified as movable property as a collateral for any funding, without being subject to the divestiture requirement, being the celebration of the corresponding pledge agreement or any other written instrument sufficient for such pledge to be considered valid and effective

DECREE LAW (6/11)

Clauses
Financing and Right of Financiers
9. The Government will provide the usual support for the financing of any Development, including the conclusion of direct agreements with their financiers in respect to any Development. Direct agreements will follow, in principle, international standards for a financing of the project financing type of similar size and scope, including the possibility of, in the case of breach of contract by the Concessionaires and/or Special Purpose Entities, lenders taking their place (step-in) and remedy the breach in question
10. Direct agreements do not constitute any guarantee by the State of assumption of the debt of the Concessionaires and/or Special Purpose Entities under the Financing, nor entail any tax risk or financial burden for the State
Workforce
1. The hiring of foreign citizens to the project will be carried out under the terms of the regime of investment projects approved by the Government, being the quota of global workforce of foreign citizens to hire for work in Mozambique for the development by their respective Concessionaire, SPE and its contractors and subcontractors established in workforce plan to be attached and approved as part of the development plans for the relevant development and to be updated according to the terms of the following number
2. The Concessionaires and SPE must submit to the National Institute of Employment and Vocational Training, 60 days before the end of each calendar year, its updated workforce plan, indicating the variation in the number of workers according to the different stages and needs of the development at stake, for consultation with the National Petroleum Institute
3. The relevant persons may employ foreign citizens under the short-term work regime to carry out any kind of work, whether or not of an ad hoc, punctual and unpredictable nature for a maximum of 180 consecutive or interpolated days per year
4. Employment of foreign citizens beyond the established percentage in the workforce plan referred to in number 1 of this Article shall be made under the work permit regime
5. The recruitment of workers shall be published in major newspapers in the country or through radio, television and the internet
Training
1. The Concessionaires and SPE must submit to the National Institute of Employment and Vocational Training, 60 days before the end of each calendar year, a training plan for consultation with the National Petroleum Institute, which aims to allow a gradual increase in the percentage of Mozambican citizens working in any development at all levels of its organization

DECREE LAW (7/11)

Clauses
Training
2. The training plan referred to in the previous number should provide an effective training program for Mozambican workers, either in Mozambique or abroad, at every stage and level of operations, taking into account the security requirements and the need to maintain reasonable standards of efficiency in the conducting of operations
Hiring, Entry and Stay of Foreign Citizens for Work Purposes
1. The hiring of foreign citizens to the project under the regime for investment projects approved by the Government is made by prior notice in accordance with number 2 under Workforce and subsequent communication made within 15 days from the employee's date of entry
2. The hiring of foreign citizens to the project under the short-time work regime shall be notified to the competent public authority within 15 days following the employee's date of entry
3. The compliance of communications of the hiring of a foreign worker pursuant to numbers 1 and 2 above shall be verified at the time of submission, having to be immediately issued and delivered to the carrier of such communication a document certifying its reception
4. The hiring of foreign citizens beyond the quota established in the workforce plan referred to point 1 under Workforce shall be made under the work permit regime upon the submission of an application to the Minister overseeing the labour area
5. The Minister who oversees the labour area should respond to the request referred to in the previous number within 7 business days from the date of its respective submission
6. The hiring of foreign citizens under any of the hiring regimes contained in no 1,2 and 5 of this article or of any other applicable legislation will be subject to the payment of a one-time fee in an amount equal to 5 times the minimum monthly wage in force for the mining industry
7. The entry, stay and exit of Mozambique of foreign workers to the project hired under the contracting regimes provided for in no 1, 2 and 5 of this Article shall be made based on business visas that allow multiple entries and a stay lasting 90 days, consecutive or intercalated, which may be issued or renewed in the country without the workers have to leave the country for this purpose. A visa appropriate to the industry may be created without compromise of the modalities described in this article

DECREE LAW (8/11)

Clauses

Miscellaneous Dispositions

1. The contracting of insurance out of Mozambique is subject to prior communication to the Insurance Supervision Institute of Mozambique, with at least 10 working days before the insurance contracting date in question, having such communication to be made together with the following documents: i) proof of refusal of the risk subscription by at least 3 insurance companies licensed to operate in Mozambique, with the financial capacity to accept high risks, or proof of the lack of such reply from the insurers within 7 working days from the date of their request for subscription, in the form of declaration of the entity that wants to contract the insurance; and ii) information about the foreign insurer that will be hired, as well as the amount of coverage and main conditions of the policy

2. The amounts received, as well as the costs and expenses paid in national currency will be converted into Dollars of the United States of America based on the exchange rate of buying and selling of these currencies as published by the central bank or in accordance with applicable law in effect at the effective date of the transaction that such amount is received and such costs and expenses are paid

Insurance and Reinsurance

1. The contracting of insurance out of Mozambique is subject to prior communication to the Insurance Supervision Institute of Mozambique, with at least 10 working days before the insurance contracting date in question, having such communication to be made together with the following documents: i) proof of refusal of the risk subscription by at least 3 insurance companies licensed to operate in Mozambique, with the financial capacity to accept high risks, or proof of the lack of such reply from the insurers within 7 working days from the date of their request for subscription, in the form of declaration of the entity that wants to contract the insurance; and ii) information about the foreign insurer that will be hired, as well as the amount of coverage and main conditions of the policy

2. Notwithstanding the preceding number or unless otherwise set in this article, insurance and reinsurance may be contracted out of Mozambique without having to obtain any approval or non-opposition from the insurance supervisory entity or any other Mozambican public entity

3. The persons mentioned in the preceding number may, at discretion provide or use:
   a) Self-insurance or non-insurance, in which case that person or any of its affiliated companies bear the risks and no premium is charged
   b) Captive insurance, i.e insurance through an insurance company wholly owned by that person or any of its affiliated companies, upon authorization of the insurance supervising entity
   c) Insurance related to the infrastructure of the project, including in fronting regime in which the respective policy is issued by an insurer authorized to run the insurance business in Mozambique, having the competent entity to report within 24 hours on the referred contracting

DECREE LAW (9/11)

Clauses

Insurance and Reinsurance

4. The Concessionaires, SPE and subcontractors shall hire, from insurers qualified to run an insurance business in Mozambique, insurances for civil responsibility, car third party liabilities, labour accidents and occupational diseases, and any other insurance required by law, provided it is of general implementation and not specific of petroleum operations

5. Except in what refers to reinsurance and insurance related to petroleum operations, construction activities and infrastructures of the project the Concessionaire, SPE and subcontractor must give preference to Mozambican insurers in relation to all other insurances when:

a) The insurance or fronting instruments provided the insurers qualified to run an insurance business in Mozambique are comparable to international insurance standards in terms of:
   i) Types of coverage
   ii) Terms and conditions of such coverage
   iii) Financial strength of the insurer
   iv) Capacity to manage claims and
   v) Underwriting capacity

b) Such insurance or fronting instruments provided by insurance companies qualified to run an insurance business in Mozambique can be placed at prices that do not exceed more than 10% of the price, inclusive of taxes and related fees, of the comparable insurance coverage available in the international insurance markets

6. In the case that any type of insurance coverage required for the project cannot be obtained in the fronting form offered by an insurer authorized to run this activity in Mozambique in accordance with the requirements of this article, the Concessionaire and SPE have the right to obtain such insurance from the international insurance markets

Dispute Resolution

1. Any disputes emerging or related to any matter regulated by the present Decree-Law shall be resolved definitely through international arbitrage

2. The use of international arbitrage should only occur if the parties fail to resolve the dispute amicably within 90 days

DECREE LAW (10/11)

Clauses
Dispute Resolution
3. In case of a dispute covered in no 1 of this Article, the rules applicable to the arbitration procedures, including the establishment and functioning of the arbitral court, are included in the provisions for arbitration of the EPCC which are presently in force, depending on the concessions in stake, without compromise of the possibility of changing such rules by agreement between the parties
4. Without compromising the international arbitration regime provided for in no 1 of this article, the NOC or any other public company are authorized to enter into international arbitration conventions to resolve any disputes arising from concession contracts or agreements related to the project in accordance with the terms of dispute settlement procedures specified in the relevant contracts
Legal and Fiscal Stability
1. Mozambique guarantees the legal and fiscal stability for the duration of the development except for what regards the new laws or regulations or amendments to existing laws and regulation in force and fees of minor nature that result in an aggregate annual value non superior to the equivalent of USD 5 000 000.00 as well as the new laws or regulations or amendments to existing laws and regulations in matters of health, safety and environment or measures adopted for purposes of national security to ensure the supply of energy during a declared situation of national emergency or civil insurrection, provided that such laws, regulations or measures are of general application and are consistent with International standards
2. In case of approval of a new law, regulation or administrative act or amendment of a law, regulation or administrative act in force, including any changes to and/or imposition of new taxes, levies, customs duties, fees, impositions or charges of any other nature that adversely affect the economic benefits of the concessionaire and SPE in relation to any development, the Government shall return to these people the economic benefits that they would earn or receive if the changes above describe did not happen
3. For the purposes of the preceding number, the Parties shall agree within 90 days on the necessary measures by which the Government will restore the economic benefits, which can be by means of a suspensory act or by means of the adjustment of the share of petroleum-profit
4. If the parties do not reach agreement within 90 days they must submit the matter within 30 days after the end of such period, to an independent international expert, to be appointed by the Centre of Expertise of the International Chamber of Commerce (ICC) who will administer the expertise procedures in agreement with the Examination Rules of the ICC. The expert will be instructed to make its decision within a period not exceeding 90 days from the date of designation

DECREE LAW (11/11)

Clauses
Legal and Fiscal Stability
5. From the date of the decision by the designated expert and until an arbitration decision has been delivered, the parties shall implement the decision of the expert
6. The parties in a period not exceeding 90 days from the delivery date of the arbitration decision, which is final and binding under international law, shall implement the measures established in the arbitration award, which will be applicable from the date of the approval or amendment in question
7. In case the necessary measures by which the Government shall restore the economic benefits to Concessionaires and SPE, include the use of profit-petroleum from the Government, for the purposes of adjusting the profit-petroleum, it will be considered that the adverse effects suffered by any SPE happened by the Concessionaires under the relevant EPCC in proportion to their participating interest
8. In case there is a change of a law, regulation or administrative act, including any changes in taxes, customs duties, levies, fees, impositions or charges of any nature, resulting in a reduction of the applicable tax income rate of collective persons or other taxes that apply to the Concessionaire and SPE, such persons must not benefit from such reduction, having the prevailing tax at the effective date of the law
9. The above exposed shall not be applicable in relation to any tax benefit to be granted to the project in the cases where the Government so defines under its discretionary terms

Section 8 / Appendix 3 – Exchange Controls

SUMMARY OF CROSS-BORDER EXCHANGE CONTROL REQUIREMENTS

1. Payment of services

(Please refer to articles 36 of the exchange control regulation)

a. **Invoice** related to be paid;
b. **Tax certificate,** original issued by the tax authorities where it is mentioned the parties involved, amount to be transferred as well as the tax amount deducted. Tax exemption is applicable under government conventions signed between Southern Africa countries and Mauritius, being a need to follow certain procedures guided by the Tax authorities and forms to be filled and signed between the parties.
c. **Service contract agreement** registered within the banking system, whereby it contains the sequence number to be used by the commercial banks when processing the payment and before releasing the funds.
d. **Proof that the service has been performed** except when related to Advance Payments.
e. **BRP form** fully completed with all the relevant details of what is going to be paid and signed.

2. Remittances of Expat salaries

(Please refer to article 37 of the exchange control regulation)

a. **Work permit** approved by the Ministry of Labour,
b. **Work contract** approved by the Ministry of Labour or other entity, when required by law, or proof documents exempting the approval of contract by the Ministry of Labour in case where the labour legislation permits. The work contract must include the salary amount owned by the employee to determine the limit of amount to be transferred.
c. **Tax certificate** in original related to the IRPS Tax retained for the salary to be transferred.
d. **BRP form** fully completed with all relevant details of what is going to be paid and signed.

SUMMARY OF CROSS-BORDER EXCHANGE CONTROL REQUIREMENTS

3. Remittances of Family help/ household expenditures

(Please refer to articles 63 & 64 of the exchange control regulation)

a. Identification of the relationship between the ordering and receiver entities;
b. Proof of the source of income of the ordering entity, should the circumstances require;
c. Proof of the facts of description of the operation that constitutes the basis for the request and assigns legitimacy to the ordering entity; and
d. **WHT** - Withholding Tax certificate in original related to the IRPS Tax pertained for the transaction;
e. **BRP form** fully completed with all relevant details of what is going to be paid and signed.

4. Import of goods

(Please refer to articles 18 & 20 of the exchange control regulation)

a. **Customs Declaration** issued by the Customs entities as proof of entrance of goods in-country;
b. **Invoice** related to be paid;
c. **BL/Transport document;**
The pack of original documents must be submitted to the Bank duly authenticated (stamped and signed) by customs authorities before execution of the payment.
d. **LOC – Letter of Commitment** which has to be initiated by an Clearing Agent within the JUE System.
e. **BRP form** fully completed with all relevant details of what is going to be paid and signed.

SUMMARY OF CROSS-BORDER EXCHANGE CONTROL REQUIREMENTS

5. Advance Payments

(Please refer to article 28 of the exchange control regulation)

a. **Invoice to be paid;**
b. **Indemnity letter** for the client to submit the pack of original documentation (listed above in nr 4) within 90 days, as proof of in-country entrance of goods imported.
c. **LOC – Letter of Commitment** which has to be initiated by an Clearing Agent within the JUE System.
d. **BRP form** fully completed with all relevant details of what is going to be paid and signed.

SUMMARY OF CROSS-BORDER EXCHANGE CONTROL REQUIREMENTS

6. Payment of Dividends

This is related to Capital transactions requiring the documentation listed in the article 58 of the exchange control regulation, consubstantiated with the FDI Law (Decree 43/2009)

a. BICP as proof of registration of the Foreign Investment at Banco de Mozambique;
b. Declaration issued by an independent auditor confirming that the profits results from the concerned financial year or years;
c. Proof of consent by the relevant corporate body, or the resolution of the shareholder's general meeting which approved the distribution of profits;
d. WHT Certificate to proof that Tax has been paid.
e. BRP form fully completed with all relevant details of what is going to be paid and signed.

7. Payment of Loans and Interest related

This is also related to Capital transactions requiring the documentation listed in the article 60 of the exchange control law

a. BICP as proof of registration of Loan contracted at Banco de Mozambique;
b. WHT certificate to proof that Tax has been paid (applicable for payment of interest loan)
c. Debit note or authorization plan.
d. BRP form fully completed with all relevant details of what is going to be paid and signed.

SUMMARY OF CROSS-BORDER EXCHANGE CONTROL REQUIREMENTS

8. Incoming flows

a. **Direct Investment & Working Capital** – (Investment of Capital): *(Please refer to article 72)*
Funds related to Direct Investment and working capital must be in accordance with the Central Bank approval list of investors/shareholders. For them to be credited into the beneficiary's account, provision of the Central Bank approval is mandatory for the bank to check the investors dully approved by the Regulator.

b. **Export Proceeds** – *(Please refer to article 8 of Notice 20/GBM/2017 and article 4 of Notice 04/GBM/2018)*
Funds related to export proceeds (goods and services) must be allocated in a Specific Account in FCY to be used according to the appropriated exchange control requirements. The registration process of the export transactions related to goods has to be made through the JUE – Janela Unica Electronica system leaded by MCNet, and has to initiate and end in the same commercial bank.

Clients are required to provide the originals duly authenticated *(stamped & signed)* by Customs entities of supportive documents listed below within 90 days to confirm the export of goods as a condition of clearing the Export Letters of Commitment (LOC) in the system and get the funds applied into the beneficiary's account:

- UCR – Unique Consignment Reference number generated by JUE system;
- DU – Customs Declaration;
- Commercial Invoice;
- Transport Document; and,
- Confirmation of receipt of funds (if funds received through your account with Standard Bank, please provide the references of credit for each LOC – Letter of Commitment.

Retention of export proceeds in offshore accounts held by the exporters must be approved by Central Bank well in advance.

c. **Commercial Representation Inflows** *(Please refer to article 62)*
Funds related to Branch Representation must be in accordance with the Central Bank approval of the parent company/shareholders. For them to be credited into the beneficiary's account, provision of the Central Bank approval is mandatory.

Should you need any clarification please contact
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Thank You

5 September 2019