

## NEWS RELEASE

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### **NESA Power Joint Venture Term Sheet Signed**

14 June 2021: Ncondezi Energy Limited (“Ncondezi” or the “Company”) (AIM:NCCL) is pleased announce the signing of a term sheet with binding exclusivity (“Term Sheet”) between Ncondezi’s wholly owned renewable energy subsidiary, Ncondezi Green Power (“NGP”) and Nesa Capital (Pty) Ltd (“Nesa Capital”) and Nesa Engineering (Pty) Ltd (“Nesa Engineering”) (collectively “NESA”) detailing the proposed formation of a new joint venture company (“JVCo”) to create a leading regional Southern African champion in the Commercial and Industrial (“C&I”) renewable energy and storage sector:

- NESA comes with an experienced management team with a proven track record developing and managing a 15.5MWp solar PV plus 0.2MWh battery storage C&I portfolio across 66 sites in South Africa (the “NIH Portfolio”)
- Term Sheet key highlights:
  - Outlines proposed structure to create a regional champion in the southern African C&I renewable energy sector;
  - Provides NGP and NESA mutual exclusivity until 30 November 2021 to form JVCo and raise capital for its activities; and
  - Outlines the plan for JVCo to acquire a controlling stake in the NIH Portfolio, currently under separate ownership by Nesa Investment Holdings (“NIH”)
- JVCo to be a newly incorporated company with assets from NGP and NESA, including:
  - NGP’s 400kWp solar PV and 0.9MWh battery storage project currently under construction
  - NGP’s project pipeline in Mozambique
  - NESA’s C&I renewable energy management team
  - NESA’s EPC business
  - NESA’s pipeline in South Africa
- The term sheet provides that NGP will acquire a minimum 40% equity stake in JVCo pre new equity capital with various options to increase its equity stake subject to certain terms.
- NESA, NIH and NGP have entered into a binding agreement granting NESA and NGP exclusive rights to negotiate terms on which they would acquire, through the proposed JVCo, a minimum 51% interest in the NIH Portfolio by 30 November 2021 with a subsequent option to acquire up to 100% within a 5 year period.
- Following the proposed capital raise and transaction, JVCo will have a combined operational portfolio of 15.9MWp solar PV and 1.1MWh battery storage across 67 sites in South Africa and Mozambique, subject to funding and acquisition of the NIH Portfolio
  - Projected CO2 savings up to 22,000t per annum
  - Projected US\$40m in contracted EBITDA with average contract life of 17 years
- Current combined project pipeline of JVCo if successfully implemented would lead to 94.5MWp solar PV and 13.5MWp battery storage across a further 47 potential sites
  - Potential CO2 savings up to 130,000t per annum

- The Board is pleased to announce that discussions regarding capital raising are already underway targeting a fund-raise directly into JVCo for working capital purposes and towards its acquisition and long term growth strategy:
  - Non-binding offers have been received from multiple parties to provide equity funding into JVCo
  - Term sheets have been received from debt providers to leverage the combined operational portfolio
  - JVCo capital structure expected to be finalised in Q3 2021
- Optimal ownership structure for the Company's coal baseload and renewable energy projects are being reviewed given changing investor appetite for renewable versus fossil fuel projects

**Ncondezi Chief Executive Officer, Hanno Pengilly said:** *"We are delighted to announce entering into the Term sheet with NESAs to give the parties a period of exclusivity to negotiate an exciting JV. The proposed JV with NESAs would create a Southern African champion with a cash generative project portfolio, enabling us to rapidly increase our presence in the sector with a clear pathway towards 100MWp solar PV and 13.5MWp battery storage over the next 3 years.*

*The transition to renewables and carbon neutrality is accelerating, and Africa stands out as a key market with the highest energy costs and lowest energy access rates. The proposed JV would be established with a proven management team, track record and project execution platform. Its strong presence in South Africa, Africa's largest energy market, where the maximum C&I project size has recently increased from 1MW to 100MW, provides a strategic position in a key market with additional expansion opportunities into neighbouring countries.*

*Finally, as we continue to progress the baseload and renewable energy C&I sides of our business it is becoming increasingly clear that they attract different investors. The Company has initiated an internal review to identify the optimal strategy to ensure both the baseload power and renewable energy C&I businesses are able to achieve their full value for shareholders."*

**Nesa Engineering Executive Director, Peter Frolich said:** *"We are excited to progress the JV with Ncondezi Green Power, as this fits our strategy to create a leading C&I renewable energy utility in the SADC region. The proposed JV will provide NESAs with potential access to institutional capital to meet funding requirements to scale fast, and we are already seeing attractive investment appetite from our capital raising process for the JVCo. With an expanded regional focus, there will be greater opportunities to grow and diversify the C&I asset portfolio whilst also reducing exposure to country specific risks, such as local currency risk, with additional US\$ denominated cash flows. We look forward to finalising terms of the transaction."*

Whilst a period of exclusivity has been granted, there remains significant work to be completed before definitive documentation can be agreed with either NESAs and/or NIH, including agreement of detailed commercial terms, completion of the due diligence and arranging transaction funding. Discussions are ongoing and there is no certainty that the JV will proceed and if it does, the commercial terms on which it will proceed and similarly if the NIH Portfolio will be acquired and if it is, on what terms. Further announcements will be made when required by market rules.

## **About NESAs**

NESAs comprises Nesa Capital, an independent impact investment manager, and Nesa Engineering, an EPC engineering firm (formerly Creovision (Pty) Ltd). NESAs provides turnkey renewable energy solutions and services to clients including project procurement, design, engineering, financing, O&M and monitoring services for renewable energy investments in the C&I renewable energy sector in South Africa. Both companies are currently the appointed managers for NIH, a section 12J venture capital company.

Nesa Capital and Nesa Engineering have a long track record of operating together having jointly provided management services to NIH and its portfolio of C&I investments since its inception in 2017.

To date, the NESA team has, for NIH, processed over 30MWp of solar PV projects, of which 9.8MWp has been commissioned across 55 separate sites and 5.8MWp is currently under construction across 11 separate sites. Projects that meet NESA's criteria for investment and construction are currently financed and owned by NIH, however it is the intention that future projects will be funded and owned by JVCo.

In the financial year ending February 28, 2021, NESA generated unaudited proforma consolidated revenues of US\$2.4m (R32.4m) through its various renewable energy service offerings.

NESA currently has a C&I project pipeline with an estimated generating capacity of 91.6MWp solar PV and 7.3MWh battery storage.

NESA has a team of 14 professional staff and is currently 100% owned by management.

Further information can be found at:

<https://www.nesacapital.co.za/>

<https://www.nesa-energy.com>

### **About the NIH Portfolio**

The NIH Portfolio is managed through NIH, a section 12J venture capital company, launched in February 2017 by NESA.

NIH has raised over US\$14.5m (R198m) to date from retail investors in South Africa for C&I investments, and owns over 66 C&I assets with a combined generation output of 15.5MWp Solar PV plus 0.2MWh storage. It includes a diversified offtaker base split between the retail, commercial, industrial and property sectors.

The NIH Portfolio generated unaudited project EBITDA of US\$818k (R11.2m) in the year ending February 2021. It has scaled significantly over the last 3 years with solar PV generating capacity and project EBITDA growth of 21x and 12x respectively up to February 2021 year end.

Project procurement, EPC, O&M, monitoring and asset management services are provided to NIH by NESA.

NIH has entered into a binding option agreement granting NESA and NGP exclusive rights to acquire a minimum 51% interest in the NIH Portfolio before 30 November 2021 with a subsequent option to acquire up to 100% within a 5 year period.

At 28 February 2021, the NIH Portfolio has offset 5,222t of CO<sub>2</sub> emissions, produced over 13,321MWh green electricity and saved clients US\$1.1m (ZAR 15.6m) in energy costs since inception.

### **About the Ncondezi Green Power**

NGP is a wholly owned subsidiary of Ncondezi which provides solar PV & storage solutions for the African C&I sector to replace existing off-grid (normally diesel) power supplies, or to supplement on-grid connections.

NGP entered the C&I sector in 2019 and in October 2019 announced its first investment in a 400kWp fully off grid solar PV plus 912kWh battery storage project. The project is believed to be the first project of its type in Mozambique and is due to be commissioned in June 2021.

NGP has also secured the right to fund a US\$5.5m C&I project development pipeline in Mozambique through a Relationship Agreement with Captive Power Limited.

## Enquiries

For further information please visit [www.ncondezienergy.com](http://www.ncondezienergy.com) or contact:

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***This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon publication of this Announcement and such information is now considered to be in the public domain. The person who arranged for the release of this announcement on behalf of the Company was Hanno Pengilly, CEO.***

## About Ncondezi Energy

Ncondezi is an African power development company with an advanced staged, integrated 300MW thermal coal power plant and mine project located in the Tete Province, Northern Mozambique.

The Company is focused on providing reliable, affordable and accessible baseload energy to Mozambique and secure against the effects of water drought and intermittency of new renewables. This project supports Mozambique's energy strategy of universal electricity access by 2030. According to the World Bank, only 30% of the Mozambican population had access to energy in 2017. The Ncondezi Project would provide 300MW of reliable and available power helping to close the infrastructure gap of the region and serving as a catalyst for economic development.

The power plant will be designed to be equipped with state-of-the-art emissions controls technologies that will reduce local air pollutants, minimizing the plant's impact on the environment and ensuring its compliance with the most stringent emission standards

In 2019, the Company entered the Commercial and Industrial ("C&I") renewable and battery storage sector and in October 2019 announced its first investment in an off grid solar battery project. The Company has also secured the right to fund a US\$5.5m C&I project development pipeline in Mozambique through a Relationship Agreement with a C&I developer. The move into the C&I solar and battery storage sector offers a significant opportunity for the Company to complement the existing large-scale baseload power project and access near-term low-risk annuity income streams which have significant growth potential.