NCONDEZI ENERGY

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NEWS RELEASE

Up to US$3.0 million Loan Facility Agreed with Africa Finance Corporation and Project Update

31 August 2016: Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to announce that Africa Finance Corporation ("AFC") has joined the existing US$1.32 million loan facility ("Existing Shareholder Loan") announced in May 2016 and has committed an additional US$3.0 million to the Shareholder Loan facility in two tranches ("New Shareholder Loan"). The additional funding will be used to fund ongoing project development costs including those that will not be covered by the Joint Development Agreement ("JDA") with Shanghai Electric Power Co., Ltd ("SEP").

Key Highlights:

- AFC Committing up to US$3.0 million in addition to the Existing Shareholder Loan provided by other parties and announced in May 2016 in two tranches:
    - Tranche A for a total of US$1.0 million on the same terms as the Existing Shareholder Loan to be repayable on 10 May 2017
    - Tranche B is a conditional US$2.0 million loan with a 24 month term from first drawdown subject to certain conditions, including the completion of the JDA with SEP and Ncondezi providing an appropriate security package
- Repayment terms of the Existing Shareholder Loan amended to now be repayable on 10 May 2017
- New Shareholder Loan provides conditional funding to reach Financial Close on the mine and power plant following the expected completion of the SEP JDA later this year
- UAE holding company structure for the power plant completed

Commenting on the announcement, Michael Haworth, Chairman of Ncondezi said:

"We are pleased to announce that AFC has joined the Existing Shareholder Loan facility that was put in place in May 2016. As Ncondezi's largest shareholder and one of Africa's leading infrastructure development companies, AFC's participation is further endorsement of the Ncondezi project's progress. The AFC facility provides conditional financing for Ncondezi while the SEP JDA is completed and we work to reach Financial Close. The Company continues to make good progress in meeting the SEP Investment Conditions and the UAE holding company structure is now in place."

Commenting on the announcement, Oliver Andrews, Chief Investment Officer of Africa Finance Corporation said:

"AFC is committed to developing infrastructure that will foster economic growth and has high development impact. Lack of access to power is one of the greatest constraints to growth in Africa. Currently 620 million people, half of Africa's population, do not have access to electricity. When completed and on-stream the Ncondezi power plant will provide up to 300MW of new generation capacity. With this new loan the AFC is pleased to be able to support Ncondezi to reach Financial Close."

About Africa Finance Corporation

AFC is a dynamic, international investment grade multilateral finance institution whose mission it is to help bridge Africa's significant infrastructure gap whilst delivering competitive financial returns, economic growth and high development impact.

Established in 2007 to be the catalyst for private sector infrastructure investment across Africa, AFC is now the second highest investment grade rated multilateral financial institution in Africa with an A3/P2 (Stable outlook) rating from Moody's Investors Service. A successful borrowing programme has raised more than US$3.5 billion for AFC's activities. This includes the Corporation's debut US$750 million Eurobond issue which was over 6 times oversubscribed.

AFC has invested more than US$4 billion in projects across 26 African countries to date.

AFC focuses on projects with a high development impact and high profit potential, of which power forms a key sector. AFC's power sector expertise includes recently reaching financial close on a US$900m 350MW gas power project in Ghana, as well as financing 5 power projects to date with combined capacity of 800MW. AFC is currently Ncondezi's largest shareholder with a 22% holding in the Company.

AFC Loan

On 11 May 2016, the Company announced that it had signed a US$1.32 million loan facility ("Existing Shareholder Loan") with certain of Ncondezi's Directors, management and long-term shareholders (together the "Lenders"). The Shareholder Loan was put in place to provide sufficient funding until the end of Q3 2016, the target timeframe for completion of the SEP JDA. The Company requires additional funding to cover costs related to certain corporate and mine development workstreams to Financial Close that will not be funded following the completion of the SEP JDA directly by SEP or by the refunded project costs from SEP as per the JDA ("SEP Refund").

AFC has agreed to accede to the existing Shareholder Loan and its terms, advancing Ncondezi up to US$3.0 million, with an initial tranche of $1.0 million ("Tranche A") and a further tranche of US$2.0 million ("Tranche B") which is conditional amongst other things upon the fulfilment of certain conditions precedent.

Tranche A

Tranche A will be drawn down alongside the existing Shareholder Loan and in accordance with its terms (set out in the announcement dated 11 May 2016), some of which have been amended as stated below. A catch up advance of US$943,000 will be paid to Ncondezi as an upfront payment, which is equivalent to AFC's pro rata payment alongside the existing drawdown from Lenders. The balance of funds from Tranche A and the Existing Shareholder Loan will be drawn down in accordance with their terms and are now available for drawdown until 31 December 2016.

Tranche A will be utilised to fund project development costs in accordance with an agreed budget.

Repayment of Tranche A will be by no later than 10 May 2017. The cost of the Tranche A loan is 1.5x the drawn down amount (comprising 1.0x principal and 0.5x return). If repayment occurs after 10 May 2017, the repayment multiple increases to 2.0x.

Tranche B

Tranche B will potentially provide a further advance of US$2.0 million to Ncondezi at Ncondezi's election, subject to the conditions precedent being met, which include a revised budget for the use of funds and agreeing certain terms and putting in place a security package. The Company intends to update its budget to Financial Close once the SEP JDA has been completed and will explore the drawdown of Tranche B at that time along with other potential financing options.

Repayment of Tranche B will be within 24 months of first drawdown. The total amount drawn down will be repaid at a 2.5x multiple (comprising 1.0x principal and 1.5x return). If repayment occurs after 24 months of first drawdown, the repayment multiple increases to 3.0x.

A commitment fee of 0.35% per annum, or US$7,000 per annum, will be charged on the undrawn amount of Tranche B.

Key Amended Terms to the Shareholder Loan

The repayment terms of the Shareholder Loan have been amended, with repayment now due on 10 May 2017 (12 months from date of the Existing Shareholder Loan) and no longer due five days from the date of the receipt of the SEP Refund. This provides the Company with more time to progress the project, allocate proceeds from the SEP Refund to critical project workstreams and better develop loan repayment options.

If the Shareholder Loan repayment occurs after 10 May 2017, the repayment multiple increases to 2.0x.

Related Party Transaction

The variation of the terms of the Existing Shareholder Loan together with the drawdown of Tranche A of the New Shareholder Loan (together the "Transaction") constitutes a related party transaction for the purposes of the AIM Rules for Companies. Accordingly Jacek Glowacki, being the Company's Independent Director in relation to the Transaction considers, having consulted with Liberum, the Company's Nominated Adviser, that the terms of the Transaction are fair and reasonable insofar as its shareholders are concerned.

In the event that the Company fulfils the conditions precedent to the Tranche B facility, agrees further terms and elects to draw down Tranche B, the drawdown is also expected to constitute a Related Party Transaction for the purposes of the AIM Rules for Companies. The Independent Directors will review the terms of the transaction, having consulted with the Company's Nominated adviser, ahead of any drawdown taking place.

Joint Development Agreement with Shanghai Electric Power

The Company is pleased to provide the following update on the SEP Investment Conditions:

- The incorporation of the UAE holding company is now complete. This was the last major Ncondezi deliverable and allows the final audit report on Ncondezi's historic power plant development costs to be finalised.
- SEP and Ncondezi have submitted an updated power plant financial model to Electricity de Mozambique ("EDM") that incorporates the change to Pulverised Coal ("PC") boiler technology. The Company believes that the financial model delivers a power tariff that is

within the previously agreed tariff envelope and is now being reviewed by EDM.

The Company continues to target the completion of the SEP Investment Conditions during Q3 2016 and will make further announcements as appropriate.

Ncondezi mine

Ncondezi continues to progress the mine development alongside the power plant and has completed the rescheduling of the pit production profile to deliver the revised coal requirements to the PC Boiler power plant. The Company plans to progress to a detailed engineering and design phase for the mine which will allow for updated contractor mining bids before the end of the year.

Enquiries

For further information please visit www.ncondezienergy.com or contact:

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Note:
The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

Ncondezi Energy owns 100% of the Ncondezi Project which is strategically located in the power generating hub of the country, the Tete Province in northern Mozambique. The Company is developing an integrated thermal coal mine and power plant in phases of 300MW up to 1,800MW. The first 300MW phase is targeting domestic consumption in Mozambique using reinforced existing transmission capacity to meet current demand.