

Project and Corporate Update

6 May 2016: Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to provide shareholders with an update in relation to its 300MW power plant project ("Ncondezi Project" or the "Project"), located near Tete in northern Mozambique.

Joint Development Agreement with Shanghai Electric Power

Since the Joint Development Agreement ("JDA") with Shanghai Electric Power Co., Ltd ("SEP") was announced in January 2016, both parties have been fully committed to satisfying the SEP Investment Conditions as quickly as possible and have made excellent progress. The Company is pleased to provide the following update:

- Electricity de Mozambique ("EdM") has indicated its in principle support for SEP to become the Strategic Partner in the Ncondezi Power Project and for the change to Pulverised Coal ("PC") boiler technology, on the understanding that EDM will be afforded the opportunity to perform due diligence on SEP's development plan, technical solution, project costs and financial model as soon as such information is available.
- A work program and budget for the Power Plant development has been agreed between NEL and SEP and awaits respective Board approvals.
- The audit of Ncondezi's historic power plant development costs is progressing well.
- NEL and SEP are in the process of finalising the key terms of the shareholders agreement that will govern the UAE holding company.
- Work to implement the UAE holding company structure for the Power Plant has started.

The Company and SEP continue to target completing the SEP Investment Conditions by 31 May 2016 and are making good progress in this regard. Notwithstanding the progress made, it is possible that the implementation of the UAE holding company and the finalisation of the audit of historic costs will continue past 31 May 2016. In addition, following further discussions with SEP it is likely that the Chinese regulatory and parent company approvals will require additional time and are now expected to be concluded in Q3 2016.

Power Plant Update

In addition to the SEP Investment Conditions, SEP and Ncondezi have reviewed the required changes to the current EPC proposals in order to change to a PC boiler. SEP and the Company are working on the revised EPC process.

The PC technology proposal includes a flue gas desulphurisation system which will result in the Power Project producing less emissions (both in relation to solid particles and sulphur oxides) than the original circulating fluidised bed ("CFB") proposal. This has resulted in the change to PC technology requiring a review and resubmission of the Environmental and Social Impact Assessment ("ESIA") study previously submitted and approved by the Mozambican Government. Ncondezi and SEP are targeting submission of the updated ESIA to the Mozambican Government during May 2016 and approval is targeted during Q3 2016.

Funding Update

As announced on 11 January 2016, once the JDA is effective, SEP will invest up to US\$25.5 million into the holding company for the Ncondezi Power Project to fund the balance of the Ncondezi Project development costs to Financial Close in return for a 60% equity interest in the Ncondezi Power Project. The Subscription Price will be paid in instalments as per an agreed budget between the Parties for the period from 1 January 2016 until Financial Close. The first instalment will be funded once the JDA is effective, and following an audit Ncondezi will be refunded for certain agreed project costs incurred from 1 January 2016.

The Company and SEP continue to target completing the SEP Investment Conditions by 31 May 2016 but following further discussions with SEP it is now likely that the Chinese regulatory and parent company approvals will require additional time and are now expected to be concluded in Q3 2016 and so the JDA will only become effective then.

As of the date of this announcement, the Company has cash resources available to it of less than US\$50,000. In the absence of alternative funding, it is expected that this cash balance will provide sufficient funding until mid-May.

Ncondezi is in the final stage of executing a shareholder loan ("Shareholder Loan") for a minimum of US\$1 million from certain of Ncondezi's Directors, management and shareholders. The Shareholder Loan is expected to provide sufficient funding to finalise the JDA with SEP in Q3 2016.

The key terms of the Shareholder Loan are expected to be as follows:

- Minimum loan value of US\$1 million
- Loan will attract a 1.5x multiple (comprising 1.0x principal and 0.5x return)
- Repayment on the earlier of either 12 months from the date of the Shareholder Loan agreement or the date of the receipt of funds from SEP as part of the JDA becoming effective
- Right for Shareholder Loan holders to appoint an additional Board member to the Ncondezi Board
- Immediate repayment of any drawn down portion at a 1.5x multiple if the JDA isn't made effective 6 months after the date of the Shareholder Loan agreement

The Shareholder Loan is expected to be subject to customary termination rights, events of default and security for a transaction of this nature.

The Company believes that the Shareholder Loan will represent the most attractive funding option for all shareholders given that there will be no equity dilution. Whilst the Company is confident that these discussions will be successful, at present there are no binding agreements in place and there is no guarantee that an agreement will be reached.

The Company expects to make an update to shareholders once binding agreements have been executed.

Enquiries

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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.