

## **Directors and Management Lead US\$1.32 million Shareholder Loan to Finalise SEP JDA**

11 May 2016: Further to the project and funding update on 6 May 2016, Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to announce that it has signed a US\$1.32 million loan facility ("Shareholder Loan") with certain of Ncondezi's Directors, Management and long term shareholders (together the "Lenders") to fund ongoing working capital requirements to finalise the Joint Development Agreement ("JDA") with Shanghai Electric Power Co., Ltd ("SEP").

### **Key Highlights:**

- US\$1.32 million Shareholder Loan from Ncondezi shareholders, directors and management
- Ncondezi fully funded until the end of Q3 2016 and the expected completion of the JDA with SEP
- No equity dilution to shareholders

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

*"We are delighted that Directors and Management together with a number of long term shareholders have demonstrated their continued financial support of the Company through the provision of a shareholder loan to assist the Company in delivering the JDA with SEP, a subsidiary of one of the largest power generation groups in China with a total group installed capacity of over 100,000 MW. The Company believes that the loan is the most attractive financial solution to bridge the funding gap to make the JDA effective, particularly given that it will result in no equity dilution to existing shareholders ahead of a major milestone event with SEP. Based on the timetables agreed, the Board believes that Ncondezi is now fully funded to make the JDA effective."*

### **Shareholder Loan**

On 11 January 2016, the Company announced that it had signed a binding JDA with SEP to develop the Ncondezi 300MW coal fired power project in Tete, Mozambique (the "Power Project" or the "Project"). The JDA becomes effective once all the SEP Investment Conditions have been satisfied or waived by SEP. Once the JDA is effective, SEP will invest up to US\$25.5 million to fund the balance of the Power Project development costs to Financial Close in return for a 60% shareholding in the Ncondezi Power Project. The Shareholder Loan is being made to provide the Company with additional funding for its corporate overheads while it completes the SEP Investment Conditions. An update regarding progress made in fulfilling these Investment Conditions was released by the Company on 6 May 2016.

Of the US\$1.32 million Shareholder Loan, US\$500,000 is being provided by a Trust of which Non-Executive Chairman, Michael Haworth, is a potential beneficiary. US\$108,000 is being provided by Executive Director and Chief Operations Officer, Chris Schutte, \$35,000 from Non-Executive Director, Estevão Pale, and US\$147,000 from Ncondezi management. The Shareholder Loan has a maturity of 12 months and, based upon management's latest cash flow forecasts, is expected to provide sufficient funding until the end of Q3 2016. Following the completion of the SEP JDA, the Company will require additional funding to cover certain corporate and mine development costs that will not be funded by SEP. The Company is exploring a number of funding solutions and expects to be in a strong position to raise additional capital once the SEP JDA is effective.

As part of the JDA's key terms, Ncondezi will be refunded for certain agreed project costs incurred from 1 January 2016 by SEP (the "SEP Refund"). Once the JDA has been made effective, repayment of the Shareholder Loan will be on the earlier of either 12 months from the date of the Shareholder Loan agreement or 5 days from the date of the receipt of the SEP Refund. The total amount drawn down prior to the SEP JDA effectiveness will attract a 1.5x multiple (comprising 1.0x principal and 0.5x return). If the JDA has not been made effective within 6 months of the date of the Shareholder Loan agreement, then the drawn down portion of the Shareholder Loan becomes immediately repayable at a 1.5x multiple.

The Company believes that the Shareholder Loan represents the most attractive funding option for all shareholders given that there is no equity dilution.

#### *Other terms*

In addition, the Lenders shall have the right to appoint an additional Board member to the Ncondezi Board. A further announcement will be made in due course as and when the Lender's director is nominated and appointed.

The Shareholder Loan is subject to customary termination rights and events of default, including if the project is abandoned which, if triggered, will make the drawn down portion of the Shareholder Loan immediately repayable at a 1.5x multiple. Lenders also have the option to request security over the assets and loans of the Company.

#### **Related Party Transaction**

The entry into the Shareholder Loan with the participation of certain directors constitutes a related party transaction for the purposes of the AIM Rules for Companies. Accordingly, Aman Sachdeva and Jacek Glowacki being the Company's Independent Directors in relation to the Shareholder Loan consider, 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.

## 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.