

Project and Corporate Update

30 March 2017: 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 ("Power Project"), located near Tete in northern Mozambique and the previously announced Joint Development Agreement ("JDA") with Shanghai Electric Power Co., Ltd ("SEP").

Development Agreement with Shanghai Electric Power

On 11 January 2016, the Company announced that it had signed a binding JDA with SEP to develop the Power Project. Once the JDA becomes effective, SEP will invest up to US\$25.5 million to fund the balance of the Power Project development costs to Financial Close ("FC") in return for a 60% shareholding in Ncondezi Power Holding 2 Ltd ("UAE Co"), a subsidiary which will own and operate the Power Project.

The JDA becomes effective once all the SEP Investment Conditions have been satisfied or waived by SEP. A key outstanding SEP Investment Condition includes the obtaining of a Ministerial Decree from the Government of Mozambique (the "Decree") approving the award of the Power Concession Agreement ("PCA"). The Decree is expected to be issued by the Mozambican Council of Ministers following completion of key Power Project development work streams, and will set out the Government's obligations and provide Government support for the development and operation of the Power Project. These work streams fall within the current Power Project development program towards FC.

As part of the discussions regarding the completion of all SEP Investment Conditions to make the JDA effective, the Company is currently in advanced negotiations with SEP to finalise a development funding agreement pursuant to which SEP will provide up to \$3.0 million to fund a development program and budget to obtain the Decree and finalise the Investment Agreements (Shareholders Agreement and Subscription Agreement) over the next 12 months (the "Development Agreement"). The funding is intended as a pre investment to funding under the JDA and will form part of the total investment under the JDA.

Key terms of the Development Agreement are expected to be as follows:

- Up to \$3.0 million over 12 months to fund the completion of key Power Project joint development work streams and obtain the Decree.
- SEP to have the option to extend the term and funding under the Development Agreement if the Decree is not achieved within the timeframe.
- Key principles of SEP's investment in the Power Project unchanged from the JDA signed in January 2016 and the non-binding Shareholders Agreement Term Sheet signed in July 2016.
- Execution of a Share Pledge Agreement pledging up to 17.6% of the shares in UAE Co to SEP to secure and guarantee the performance by Ncondezi in relation to its obligations in connection to the Development Agreement which are expected to include repayment if the Decree and Investment Agreement are not achieved during the term of the Development Agreement.
- The Development Agreement is expected to extend SEP's exclusivity.

Once the Decree has been obtained, SEP and Ncondezi intend to conclude the JDA based upon the terms and conditions set forth in the JDA and subsequent Shareholders' Agreement Term Sheet.

The Decree and JDA are targeted for completion in Q1 2018.

Following completion of the JDA, the Power Project development program will then enter the last development phase, led by SEP, to finalise funding from lenders and achieve FC which is planned for Q3 2018.

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

Financial Position

Due to careful working capital management, the Company now has adequate cash resources to fund its activities until 10 May 2017, which is the date on which the Shareholder Loan becomes repayable.

The Company has an existing \$2.32m shareholder loan which is repayable at a 1.5x return before 10 May 2017, after which the loan becomes repayable at a 2.0x return.

The Company is engaging with the lenders under the shareholder loan and evaluating all options with respect to its repayment or refinancing and a further update will be provided before 10 May 2017.

Once it is signed and becomes effective, the Development Agreement will cover the bulk of Ncondezi's development costs over the next 12 months as well as some of SEP's costs. As a consequence, once the development funding is available, the Company's working capital requirement for costs not covered by the Development Agreement is expected to be reduced to approximately \$300,000 per annum, to cover mainly corporate costs.

Negotiations are ongoing with a number of potential funding partners to cover these reduced working capital costs that will not be covered by the Development Agreement, including corporate costs (as detailed above) and additional mine development costs.

The Company is working on finalising a funding solution although it must be noted that whilst discussions are advanced no certainty can be given that they will be finalised.

More information will be provided to shareholders as appropriate.

Power Project Update

SEP, Electricity de Mozambique ("EDM") and Ncondezi continue to work closely and good progress is being made on the Power Purchase Agreement ("PPA") and Power Concession Agreement ("PCA"), the two key commercial agreements for the Power Project Development program and obtaining the Decree.

During December 2016, Power Project development meetings were held between SEP, EDM and Ncondezi in Shanghai, China, to update the pathway to FC, including updating the drafts of the PPA and PCA. The meetings also included site visits to some of SEP's reference operating coal fired power plants, as well as introductions to China Export & Credit Insurance Corporation ("Sinasure") and Chinese commercial banks with respect to the debt financing and export credit insurance for the Power Project's financing. Further meetings were held in Maputo, Mozambique, during March 2017 where discussions on the PPA and PCA continued.

The PPA and PCA are currently targeted for completion during Q4 2017.

Ncondezi expects to conclude a number of other work streams before then, including the Power Project and transmission line EPC processes. Work streams relating to the mine development process are expected to ramp up in H2 2017 alongside the Power Project development program.

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. If you have any queries on this, then please contact Hanno Pengilly, Chief Development Officer of the Company (responsible for arranging release of this announcement) on +44 (0) 20 7183 5402.

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.