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NEWS RELEASE

Ncondezi Signs Joint Development Agreement with Shanghai Electric Power

11 January 2016: Ncondezi Energy Limited ("Ncondezi" or the “Company”) (AIM: NCCL) is pleased to announce that it has signed a binding Joint Development Agreement (“JDA”) with Shanghai Electric Power Co., Ltd (“SEP”) (Shanghai Stock Exchange code 600021) to develop the Ncondezi 300MW coal fired power project in Tete, Mozambique (the “Power Project” or the “Project”).

Highlights:

- SEP to become the strategic investor in the Power Project
- SEP will invest up to US$25.5 million to fund the development costs to Financial Close in return for a 60% equity interest in Ncondezi Power Company S.A (“NPC”), a subsidiary that will hold 100% of the Power Project
- Based on SEP’s expertise in coal fired power generation, the Power Project boiler technology will change from Circulating Fluidized-Bed (“CFB”) to Pulverized Coal (“PC”)
- NPC will pay Ncondezi an additional US$35 million on initial draw down of funds after Financial Close of the Power Project

Background

SEP is incorporated in the People’s Republic of China and listed on the Shanghai Stock Exchange with the majority of its shares held by State Power Investment Corporation (“SPIC”). SPIC is one of the largest power generation groups in China with an installed capacity of over 100,000 MW. SEP has experience of owning, constructing and operating coal fired power stations and has a stated strategy of international growth.

The JDA is a binding agreement between Ncondezi and SEP and sets out the terms on which the Power Project will be developed. The Ncondezi Coal Mine will continue to be wholly owned by Ncondezi and will be developed and financed separately. It is envisaged that a Coal Supply Agreement will be entered into between the relevant entities.

SEP Investment

SEP will fund up to US$25.5 million (“Subscription Price”) into a newly incorporated holding company that will own 100% of NPC and which will be used to fund all development costs of the Power Project (inclusive of transmission and project infrastructure) to Financial Close.

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, at which point Ncondezi will be refunded for certain agreed project costs incurred from 1 January 2016. The JDA becomes effective once all of the SEP Investment Conditions (as defined below) have been satisfied, at which point SEP will be issued with an indirect 60% interest in NPC.

The SEP Subscription Price is based on 1.5 times Ncondezi’s historic Power Project costs of US$17 million and is capped at US$25.5 million. The Subscription Price will be inclusive of SEP’s historic costs of RMB 8 Million (c. $1.25 million). All historic costs are subject to confirmation by an independent auditor.

It is anticipated that the Subscription Price will be sufficient to fund the development costs to Financial Close of the Power Project. Any additional costs are expected to be funded on a pro-rata basis by the Company and

SEP respectively. Once the JDA has become effective, SEP will provide a bank guarantee for US$10 million in favour of the Company against the instalment payments of the Subscription Price.

If on Financial Close the Subscription Price is not fully utilised, any balance will be used to fund the first project equity beyond Financial Close.

Financial Close

NPC (the Power Project company) will pay Ncondezi US$35 million at the time of initial draw down after successfully achieving Financial Close.

Management of the Ncondezi Project

SEP will have effective control of the Power Project following satisfaction or waiver of the SEP Investment Conditions. Appropriate corporate governance and minority protections will be incorporated into a detailed Shareholders Agreement.

SEP will lead the procurement of the EPC agreements, the O&M agreements and the debt financing to achieve Financial Close and SEP has undertaken to use reasonable endeavours to procure the best possible commercial terms from Chinese financiers for the proposed debt financing facilities for the Power Project on a non-recourse basis to Ncondezi.

Technology Change

Based on SEP's expertise and experience in coal fired power generation, the power plant will change from CFB to PC technology based on an updated feasibility study prepared by SEP. The PC technology feasibility study demonstrates comparable economic returns to the CFB solution and supports the existing tariff envelope agreed with EDM (the "Commercial Deal").

SEP Investment Conditions

The transaction is targeting the satisfaction or waiver of a number of conditions on or before 8 February 2016 including:

- Formal approval by EDM of the change to PC technology and confirmation of the existing Commercial Deal
- Completion of the independent audit of the Ncondezi historical Power Project costs
- Finalisation of the work program and budget to Financial Close
- Finalisation of the relevant transaction documents including the Shareholders' Agreement
- SEP obtaining the required Chinese regulatory and parent company approvals
- No material adverse change having occurred to the Project

The Company and SEP have already started work on the SEP Investment Conditions and are focused on satisfying them as quickly as possible. Notwithstanding the progress that has been made, the SEP Investment Conditions are unlikely to be satisfied by the targeted date of 8 February 2016 and an extension is expected to be required. The Company will update shareholders as appropriate.

Exclusivity

Ncondezi has granted SEP exclusivity in relation to the Power Project until the earlier of 8 February 2016 or termination of the JDA.

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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.