

NEWS RELEASE

Financial Model Update

11 June 2018: Following the announcement on 3 May 2018, Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to provide an update on its process to conclude a binding Joint Development Agreement ("JDA") for the Company's integrated 300MW power and coal mine project in Tete Mozambique (the "Project").

Key Highlights:

- Integrated financial model ("FM") accepted by potential partners and the Company for submission to Electricidade de Moçambique, EP ("EDM") and Ministry of Mineral Resources and Energy ("MIREME").
- Represents a key milestone in confirming the Project economics, re-starting tariff negotiations and completing the JDA process.
- Positive results from FM indicating Project economics can be maintained with a more than 10%* reduction in the previously agreed tariff envelope.
- Revised tariff proposal strengthens commercial negotiating position of the Project in Mozambique.
- Significant potential financial benefits to Mozambique of between US\$ 1.1 to 1.4 billion* in tax receipts and royalties over the life of the Project.
- FM results follow receipt and review of proposals for engineering, procurement, and construction ("EPC") and operations and maintenance ("O&M") proposals.
- Company now preparing for submission of FM to Electricity de Mozambique ("EDM") and Ministry of Mineral Resources and Energy ("MIREME") targeted for mid-June 2018 to seek in principle support for a new power tariff envelope thereafter.
- The Project is one of the most advanced coal fired projects in Mozambique with potential to deliver power onto the grid as soon as 2022.

*Further details of the key assumptions of the FM are detailed below.

Ncondezi's Non-Executive Chairman, Michael Haworth, commented: *"The acceptance of the FM represents another significant milestone towards finalising the JDA process and progressing the Project to Financial Close. The Company is now able to propose an updated tariff proposal that is more competitive and attractive than the previously agreed tariff envelope whilst maintaining key Project economics. These improvements have been made through alignment in thinking between Ncondezi and its potential partners on how best to deliver the Project and optimise where possible. The Company will now focus on receiving support from EDM and MIREME on the new proposed tariff envelope through the submission of the FM and follow up meetings planned for June 2018."*

Background

Since announcing the Non-Binding Offer (“NBO”) on 9 November 2017, a key deliverable in the JDA process has been the updating of the Project’s financial model to finalise an updated tariff proposal for EDM. The Company originally agreed a tariff envelope in September 2014, but this since lapsed and needs to be renegotiated. Key to the renegotiation process has been updating of the FM with the latest information from the EPC and O&M proposals as well as to present a new strategic partner who can lead the financing, construction and operation of the project.

In January 2018, the Company secured in principle support from EDM and MIREME for its proposed strategic partners. At the end of April 2018, the Company received updated and complete EPC and O&M proposals and began a process to review and update the FM. The Company completed its review of the FM on 3 May 2018 and submitted it to its potential partners for review and acceptance. The Company’s potential partners have now completed their review of the FM and approved its submission to EDM and MIREME.

Financial Model Results Overview

The updated FM has been completed targeting a revised tariff that the Company and its potential partners believe will be attractive to EDM. Meetings with EDM in January 2018 indicated that the historical tariff agreed was no longer competitive given downward pressure in regional tariff rates and would need to be revised down. Based on benchmarking of new and competing projects in Mozambique and the southern African region, the Company and its potential partners targeted a new tariff lower than the previously agreed tariff envelope with EDM.

The specific tariff rate and target returns in the updated FM are commercially sensitive and still to be negotiated with EDM. The FM is based on the Project generating a gross 300MW at a target tariff rate in excess of 10% lower than the tariff envelope previously agreed with EDM, paid on an annual basis for 25 years.

With the lower tariff target, it was essential that improvements were identified to protect the Project equity IRR agreed in the previous tariff envelope. This was achieved primarily through the choice of technology (moving from Pulverized Coal to Circulating Fluidized-Bed boiler technology), integration of the power and mine projects and optimisation of common infrastructure capex. Of key importance was the ability to link boiler design to the most cost effective coal product produced from the mine. This allows the Project to minimise coal costs to the power plant which is achieved through integration of a dedicated coal supply. Ncondezi is the only power project in Mozambique with a dedicated coal fuel source for in country power generation.

In addition to the lower proposed tariff envelope, the Project is also expected to significantly benefit Mozambique through tax receipts and royalties over the life of the Project which are estimated to be between US\$ 1.1 to 1.4 billion. This in addition to local skills development and thousands of jobs during construction and hundreds of jobs during operation, as well as the economic multiplier effect of providing stable cost effective power to the north of Mozambique.

The FM results highlighted in this RNS are not final and subject to change based on a number of factors including the finalisation of tariff negotiations with EDM, debt terms with commercial banks, technical and operating assumptions and EPC and O&M contracts.

Next Steps

The Company and its potential partners are now preparing the FM for submission to MIREME and EDM in June 2018. The submission will be followed by meetings in Mozambique to discuss the results of the FM and receive support for negotiations around the new proposed tariff envelope to proceed. These meetings are targeted between mid-June to early July 2018.

The Company believes that the Project is one of the most advanced coal fired project in Mozambique, and can deliver power onto the grid as soon as 2022 if all the key agreements with MIREME and EDM can be achieved

over the next 12 to 18 months. Key milestones achieved so far include:

- Power plant and mine feasibility studies complete
- Power Framework Agreement signed with MIREME
- Mine Framework Agreement signed with MIREME
- Power Purchase Agreement Heads of Terms (“HoTs”) signed with EDM
- Ownership structure HoTs signed with MIREME – confirms local participation at power plant
- Coal Supply Agreement HoTs signed between power plant and mine companies
- Social Development Plan signed with MIREME
- Mining Concession granted with 4.7 billion tonne JORC resource
- Approval of Mine and Power Plant environmental and social impact assessments
- Land rights (DUATs) for Power Plant and supporting infrastructure granted
- Servitudes granted for transmission line to connect in Mozambican grid
- EPC and O&M proposals received from strategic partners
- Power Purchase Agreement (“PPA”) and Power Concession Agreement (“PCA”) in advanced form

In addition, signing the NBO identified potential strategic partners with the prerequisite experience in financing, constructing and operating a power project of this nature and size, a key deliverable for the approval of the PPA and PCA from MIREME and EDM. This, in combination with the new proposed tariff envelope puts the Company in a strong commercial negotiating position to progress the Project and receive the targeted support from MIREME and EDM.

This support is an essential milestone in finalising the JDA process which is currently targeted for completion by the end of July 2018.

There is no certainty that the transactions contemplated by this announcement will occur.

Enquiries

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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 +27 (0) 71 362 3566.

Ncondezi 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.