

### **Ncondezi suspends exclusive discussions with SEP and announces new partner search**

26 May 2017: Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) announces that it has suspended exclusive discussions with Shanghai Electric Power Co., Ltd ("SEP") regarding its Joint Development Agreement ("JDA"). Exclusivity arrangements with SEP have lapsed and Ncondezi will now engage with additional strategic partners who have expressed an unsolicited interest in developing the project alongside Ncondezi. In addition, the Company is pleased to announce that it has received indications of interest for an additional US\$350,000 shareholder loan which is in the process of being finalised and documented and which would fund the Company until 2 September 2017.

#### **Suspension of Discussions with SEP**

The decision to suspend exclusive discussions regarding the JDA with SEP follows more than three years of negotiations and work alongside SEP. Key milestones over this extended period included:

- In October 2014, Ncondezi and SEP signed a non-binding MOU which outlined the intention for SEP to become the strategic partner on the Ncondezi Power Project.
- In January 2016, Ncondezi and SEP signed the binding JDA which provided for SEP to invest up to \$25.5 million for a 60% stake in the Ncondezi Power Project. The original target date to satisfy the SEP Investment Conditions was 8 February 2016 which was extended to 30 May 2016 and then targeted for 30 September 2016 and finally 31 December 2016.
- In July 2016, Ncondezi and SEP signed a non-binding Shareholders' Agreement Term Sheet.
- On 30 March 2017 Ncondezi announced that it was in advanced negotiations with SEP in relation to a Development Agreement which would provide interim funding to Ncondezi. This Development Agreement was due to have been signed during March 2017.

Notwithstanding SEP's assurances that it is committed to the Ncondezi Project, and the advanced stage of discussions, SEP has not provided funding to the project. Accordingly, despite the longstanding relationship with SEP and its credentials to act as a strategic partner, the Board of Ncondezi believes that the ongoing delays in SEP funding the Project is unsustainable and that it is now in the best interests of the Company and its shareholders to suspend exclusive discussions with SEP and to enter into discussions with alternative potential partners.

#### **New Partner Search**

The Ncondezi power project is at an advanced stage and is supported by attractive economics. Key highlights of the Ncondezi project remain:

- Advanced form Power Purchase Agreement and Power Concession Agreement with "in principle" agreement with Electricidade de Moçambique on the electricity tariff
- Technical work substantially complete
- Environmental and Social Impact Assessment studies complete for the mine and power plant
- Mine Concession awarded and large thermal coal resource of 4 billion tonnes

- Access to power grid approved
- Clear pathway to Financial Close, subject to funding

The Company has recently received a number of unsolicited expressions of interest from other strategic investors and project developers. A new strategic partner process has commenced and initial feedback is expected before the end of August.

### **Financial position and funding strategy**

The Company has significantly reduced its cash burn over an extended period and has stretched its available funding well beyond the timeframe that had been originally been targeted. Ncondezi has received indications of interest totalling US\$350,000 to finance the work programme and budget to 2 September 2017, the date when the existing Shareholder Loan becomes payable. The Company is currently in the process of drafting and agreeing the loan documentation with the potential lenders and seeking the formal agreement of the holders of the existing shareholder loan.

This proposed financing has been committed by the Chairman Michael Haworth (US\$200,000) and other existing long term shareholders (\$150,000) and is expected to form part of the existing Shareholder Loan and will receive a 1.25x return at its maturity on 2 September 2017. The terms of the existing Shareholder Loan will remain unchanged.

Whilst the Company is confident of finalising the new Shareholder Loan arrangements, there can be no certainty that the new loan documentation will be finalised and entered into.

The Company's senior management deferred 50% of their salary between November 2016 and January 2017 and has deferred 100% of their salary since February 2017. The management team have agreed to convert their deferred salaries into the Shareholder Loan. The total amount to be converted into the Shareholder Loan is expected to be \$232,000 and will not attract any return.

The Company recognises that shareholders may be concerned about the Shareholder Loan maturing on 2 September 2017 and is actively engaging with the Shareholder Loan holders to seek an acceptable funding solution ahead of these loans becoming repayable. However, it must be noted that there is no certainty that additional funding will be raised and there can be no certainty that the existing Shareholder Loan can be refinanced before it becomes repayable on 2 September 2017.

With the new partner search underway and the focus on cost control during this time, the Company regrets to announce that Mr Chris Schutte has resigned as Chief Operating Officer with effect from 26 May 2017 but will remain on the board as a Non-Executive Director. Going forward, the finance function, financial advisor and Mozambican operations will report directly to and be actively managed by the Board.

More information will be provided to shareholders regarding any developments with the partner search on an ongoing basis.

## Enquiries

For further information please visit [www.ncondezienergy.com](http://www.ncondezienergy.com) or contact:

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**Note: This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulations.**

**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.