

## NEWS RELEASE

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### Shareholder Loan Restructuring Complete

16 November 2018: Further to the announcement released on 5 November 2018, Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) announces that a formal agreement to amend the Shareholder Loan (the "Loan") has been reached (the "Loan Restructuring") with Loan holders ("Lenders").

#### Key Highlights:

- The following key amendments to the Loan have been agreed:
  - Maturity date extended to 30 November 2019
  - 12% interest rate, paid at maturity. Represents a significant reduction in effective interest rates historically incurred on the Loan
  - Ability for Ncondezi to voluntarily prepay the Loan in full or in part
  - Lenders have the option to swap debt for equity in full or in part at a conversion price of 10.0p per share until the date which is 30 days before the maturity date of the Loan, representing a premium of 50% to the closing share price on 15 November 2018 (the "First Conversion")
  - After the First Conversion, if the Loan is not repaid at maturity, the Lenders for seven days will have the option to swap debt for equity in full at the higher of the 30% discount to the 60 day Volume Weighted Average ("VWAP") or 5.2p (the "Second Conversion") provided that Lenders representing more than 50.1% of the Loan outstanding elect to do so
- The Loan Restructuring allows the Company time to progress various alternative refinancing options
- The updated work program and timetable for the Company's integrated 300MW power and coal mine project in Tete Mozambique (the "Project") is expected to be submitted to the Ministry of Mineral Resources and Energy ("MIREME") and Electricity de Mozambique ("EDM") during November 2018

Ncondezi's Non-Executive Chairman, Michael Haworth, commented: "*The Loan Restructuring has been agreed on favourable terms to the Company, affording us additional time to further progress the Project and explore repayment options as we meet expected additional de-risking milestones. The amendments are on terms that represent a significant reduction in effective interest rates historically incurred on the Loan and give us the flexibility to take advantage of potential refinancing opportunities to reduce the size of the loan in part, allowing for phased repayment. The First Conversion provides Lenders with equity upside and the potential to reduce the refinancing size of the Loan over the next 12 months. The Second Conversion provides a new repayment mechanism for Lenders and the Company in the event that Ncondezi is not able to refinance the Loan over the new term, a situation the Company intends to explore all opportunities to avoid. The restructuring of the Shareholder Loan is a key milestone for the Company, and positions it well to finalise binding agreements with its potential strategic partners on the 300MW Ncondezi Power Project and integrated coal mine. The completion of the Loan Restructuring has freed up Company resources to focus on delivering project milestones for the 300MW Ncondezi Project.*"

## 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.

## **Background**

As at the repayment date, a total of US\$2,774,545 had been drawn down under the total Shareholder Loan, and the total amount due for repayment was US\$5,054,591 (the "Outstanding Loan Amount"). The Company has been exploring several options to refinance or restructure the Shareholder Loan, however it became clear that an amendment to the Loan was required if any of these options were to be successful. Initial terms for the Loan Restructuring were submitted to Lenders in August 2018 with final Loan amendment documentation delivered for signature in early November 2018.

## **Amended terms of the Shareholder Loan**

### Loan Repayment Date:

The Loan term has been extended from 2 September 2018 to 30 November 2019.

### Interest:

Interest on the Outstanding Loan Amount shall accrue from 15 November 2018 at the rate of 12% per annum payable in arrears on the earlier of conversion into equity or repayment of the Loan (specific to each Lender). Interest shall be calculated on the basis of a 365-day year.

The interest rate represents a significant reduction in the effective interest rates historically incurred on the Loan. In June 2017, the Company raised an additional US\$350,000 at a 1.25x return.

### Voluntary Prepayment:

The Company may, at any time prior to 1 November 2019, prepay the whole or any part of the Loan provided that:

- (a) the Company gives the Lenders written notice specifying the aggregate amount the Company wishes to prepay and the specific amount to be paid; and
- (b) the Lenders have 3 business days to exercise the First Conversion and give the Company a conversion notice.

### Debt for Equity Swap:

For so long as any part of the Loan remains outstanding:

- (a) First Conversion: Lenders shall be entitled to convert all or part of their portion of the Loan (in multiples of \$US1,000) into fully paid ordinary shares of the Company at a 10.0p conversion price from the date of this announcement until 1 November 2019; and
- (b) Second Conversion: if Lenders who are owed (in aggregate) not less than 50.1% of the outstanding principal amount of the Loan from 1 November 2019 until maturity provide a conversion notice to the Company, all amounts outstanding under the Loan shall convert into fully paid Ordinary Shares of the Company at a conversion price the higher of the 30% discount to the 60 day VWAP at 30 November 2019 or 5.2p.

The First Conversion price represents a premium of 50% to the closing share price on 15 November 2018.

The maximum number of shares that can be issued under the First Conversion is 38.9m new shares, or a 12.1% dilution.

The Second Conversion is only executable if Lenders representing no less than 50.1% of the outstanding Loan principle at the time elect to convert. This prevents any single Lender from having negative control over a

decision to convert. The minimum conversion price represents a discount of 22% to the closing price on 15 November 2018, and restricts the maximum number of shares that can be converted to 84.6m, which would represent a maximum dilution of 23.1% to shareholders. The Second Conversion has been agreed to provide Lenders and the Company with an alternative repayment mechanism in the event that the Company has not repaid the Loan during the new term.

The US Dollar to British Pound exchange rate has been fixed for any debt for equity swap at US\$1.3 to £1.0.

The Company has all the required share authorities to allow the debt for equity swap.

### **Related Party Transaction**

The proposed Transaction constitutes a related party transaction for the purposes of the AIM Rules for Companies. Accordingly Jacek Glowacki, being the Company's Independent Director in relation to the Transaction considers, having consulted with Liberum, the Company's Nominated Adviser, that the terms of the Transaction are fair and reasonable insofar as the Company's shareholders are concerned.

### **Other developments**

As per the last announcement on 5 November 2018, the Company is now working with its potential strategic partners to update the Project work program and timetable for submission to the Liaison Committee represented by MIREME and EDM. The Company has received in principle approval from its potential strategic partners and expects to make the submission during the month of November 2018. The work program and timetable includes key milestones, including:

- Joint Development Agreement ("JDA")
- Binding engineering, procurement, and construction ("EPC") and operations and maintenance ("O&M") contracts
- Power tariff approval
- Signing of key commercial agreements: Power Purchase Agreement and Power Concession Agreement
- Financial Close
- Commercial Operations Date

The Company expects to start the JDA, EPC and O&M processes once the work program and timetable is approved by the Liaison Committee.

EDM has confirmed that 300MW of coal fired power is to be procured from the Tete region in 2023, and the Company has designed its work program and timetable to coincide with this. Given the advanced nature of the Project, with feasibility studies complete and key commercial agreements in near final form from previous negotiations, the Company is confident it can deliver the Project within the specified time frame.