

NEWS RELEASE

Project Update

18 April 2018: Following the announcements on 20 October 2017, 9 November 2017 and 27 December 2017, Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) provides 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:

- JDA remains targeted for completion by the end of July 2018.
- Proposals for engineering, procurement, and construction ("EPC") and operations and maintenance ("O&M") contracts received but require additional information, with a deadline of 23 April 2018 to receive complete proposals.
- Internal review of EPC and O&M proposals in process, target completion by the end of May 2018.
- In principle support received from Electricity de Mozambique ("EDM") and the Ministry of Mineral Resources and Energy ("MIREME") for proposed strategic partners.
- Company to seek in principle support for a new tariff envelope from EDM by end of June 2018.
- Cash position as of mid-April 2018 is US\$ 317k, sufficient to cover activities until August 2018.

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.

EPC and O&M contracts

In December 2017, the Company updated its financial model from separate power plant and mine operations to an integrated operation. This process resulted in a number of benefits which further enhance the projected Project economics and returns at the previously agreed tariff envelope.

The EPC and O&M proposals form a key part in confirming the project's financial and economic parameters in the integrated financial model and confirming a new tariff envelope to present to EDM and MIREME.

EPC and O&M proposals for the Project have been received and an internal review is underway. The proposals include technical specifications and costings for the construction and operation of the power plant, mine, shared infrastructure and transmission line connecting into the Mozambican grid. Presently, the Company considers the proposals to be incomplete, preventing full incorporation into the Project's financial model. The Company is working closely with its potential partners to address outstanding issues and finalise the proposals, and the Company has set a deadline of 23 April 2018 for the complete the proposals to be sent to the Company.

The complete proposals will be benchmarked against proposals from previous tender and partner negotiation processes over the last three years to ensure a competitive outcome. As part of the due diligence process conducted over the last five months, there have also been a number of optimisations to the original project scope, including but not limited to, the potential transition to an owner mining model from contract mining. This would involve the upfront purchase of the mining fleet, increasing upfront capital costs, but lowering long term coal costs to the power plant.

The net effect of the incomplete information and optimisations, is that the Company has required more time to evaluate the proposals, with target completion, including the update of the integrated financial model, expected by the end of May 2018, assuming complete proposals being submitted by 23 April 2018.

The Company believes that should the EPC and O&M proposals be confirmed within current estimates, the Company will be in a strong position to present an updated and more commercially attractive power tariff to the Mozambican Government.

Government meetings

Meetings with both EDM and MIREME in Mozambique were held in January 2018 to formally introduce the Company's potential strategic partners to the Project and update on progress and timing of the JDA.

The Company received in principle support for its new proposed partnership and it was agreed that follow up meetings would be held as soon as the Company was in a position to present the updated financial model and tariff envelope.

In addition, MIREME and EDM highlighted regional export market power tariffs are down up to 50% since the Company last confirmed a commercial tariff envelope back in 22 October 2015. The Company believes this to be a temporary issue caused by excess power on the regional grid, mainly from South Africa which is experiencing low economic growth and electricity demand in country, coupled with excess supply from an aging fleet of generation units that are to be decommissioned over the coming years. As a point of reference, MIREME and EDM stressed the need for Ncondezi and its potential partners to present a more competitive power tariff when next in Mozambique, and the Company believes this is achievable through the improved economics of the integrated power station and mine approach that has now been adopted.

On successful submission of the updated financial model and tariff envelope to MIREME and EDM, the Company will seek in principle support for the new tariff envelope, which is a key milestone in closing out the due diligence process and finalising the JDA. This is being treated as the Company's main priority, and the

current target date for completion of this process is June 2018.

Timetable

Despite the additional time requirements to complete the review of the EPC and O&M proposals, the overall timetable for the JDA remains unchanged at this time. Due diligence is only expected to be completed once in principle support for the new tariff envelope has been received from MIREME and EDM.

The revised expected Project timetable is as follows:

- 23 April 2018 – Comprehensive EPC and O&M proposals delivered in a form acceptable to Ncondezi
- End May 2018 – Completion of EPC and O&M proposal review. Update of integrated financial model.
- End June 2018 – Present updated tariff envelope to MIREME and EDM
- End July 2018 – Execution of JDA

Financial Position

The Company's current cash position as of mid-April 2018 is US\$ 317k which is expected to be sufficient to fund activities into August 2018. The Shareholder Loan matures on 2 September 2018, and the Company is currently evaluating options to extend or restructure the loan.

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