

## NEWS RELEASE

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### Project Update

27 December 2017: Following the announcements on 20 October 2017 and 9 November 2017, 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 for power plant and mine prepared for review
- First draft of the JDA submitted for review
- Site visit to inspect the Project's proposed development sites completed
- Due diligence process ongoing with targeted completion end April 2018
- Extension of submission date for binding engineering, procurement, and construction ("EPC") and operations and maintenance ("O&M") contracts from 31 December 2017 to 28 February 2018 agreed in principle
- Extension of expected binding JDA finalisation date from 30 April 2018 to 31 July 2018 agreed in principle

Ncondezi Non-Executive Chairman, Michael Haworth, commented: *"The Company continues to focus on the necessary investment conditions to agree and finalise the JDA. The Project remains one of the most developed coal fired power projects in the region with an estimated total cost of US\$1 billion, and will provide power to Mozambique over a 25 year period. Since signing the Non-Binding Offer ("NBO") in November 2017, a number of significant milestones have been completed, including the updating of the financial model for an integrated power plant and mine project, which is demonstrating improved economics and returns. The JDA work program and timetable has been updated to reflect a more detailed set of deliverables that have been agreed between the parties and resulted in an extension to the delivery dates for the EPC and O&M binding bids as well as the JDA. The Company believes it has identified the correct partners to deliver the Project and is focusing all resources on successfully completing the JDA process."*

## 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.

## **Binding EPC and O&M contracts**

Binding bids for both the EPC and O&M components of the Project are now expected by the end of February 2018. The bids will form a critical part of the Project development process, confirming the technical specifications, cost and construction time. EPC and O&M contracting services are being sought for both the power and mine projects based on a build, own, operate model, whilst EPC contracting services for the 92 km transmission line to connect the Ncondezi Project to the Mozambican Grid on a build and transfer model with national utility company, Electricity de Mozambique (“EDM”). Once verified and accepted by Ncondezi the Project financial model can be updated to finalise the tariff envelope.

## **Site visit and government meetings**

Technical teams completed site inspections in Tete, Mozambique during December 2017. The inspections were extensive with visits to:

- the planned locations for the power plant, mine and related infrastructure;
- the Ncondezi River which will supply water to the Project; and
- the transmission line route and interconnection point with the Mozambican national grid.

The site visit forms an important part of both the due diligence and EPC and O&M bid processes, and no fatal flaws or material concerns were identified by the technical teams during the trip.

Meetings with both Electricity de Mozambique (“EDM”) and the Ministry of Mineral Resources and Energy (“MIREME”) in Mozambique are currently planned during late January/early February 2018 to formally introduce the Company’s potential strategic partners to the Project and update on progress and timing of the JDA. During the site visit trip, meetings were also held with provincial representatives from MIREME, where Government support for the Project was reiterated.

## **Due diligence**

Detailed due diligence formally kicked off in late November 2017, and has focused on key items for the JDA, including the power offtake arrangements, Project status and economics, environmental due diligence and financing. The Company has prepared a detailed dataroom with required information to complete the due diligence process. As an advanced stage project, the Company believes that most of the required information is either complete or in an advanced form for review.

The Company started receiving more advanced and technical Q&A from early December 2017, and addressing the questions raised in the Q&A is a priority for the Company and its consultants. Ncondezi has also recently updated its financial model for the move to an integrated power and mine project. This has resulted in a number of benefits which further enhance the projected Project economics and returns. The updated financial model was submitted by Ncondezi for review during December 2017, and will be finalised once updated costs and assumptions from the EPC and O&M contract bids are incorporated.

Financing due diligence, which will include a review of lenders’ funding requirements and the Project investment structure, is expected to start in early Q1 once the other due diligence items have been further progressed.

## **Joint Development Agreement**

The JDA is targeted to be finalised following successful completion of the due diligence process and EPC and O&M bid acceptance from Ncondezi. However the parties have agreed to try and facilitate the JDA process by starting the drafting and negotiation process in parallel to the other processes.

Ncondezi submitted a first draft of the JDA for review during December 2017.

### **Timetable**

Now that the various processes to finalise the JDA have been started in earnest, the timetable was reviewed with a view of ensuring timing for delivery of key milestones was realistic.

The review has resulted in a more detailed work program and set of deliverables, and the Company has received a formal request for an extension of the delivery date of the JDA by 3 months to end July 2018. The full updated timetable is outlined below:

- 28 February 2018 - Submission of EPC and O&M bids
- 30 April 2018 – Completion of due diligence
- 31 July 2018 – Execution of JDA

The request has been made on the basis of there being more than expected information to review and to have some contingency should there be any unplanned delays. Having reviewed the proposal, Ncondezi has approved the extension on the basis that all agreed deliverables be fast tracking where possible and that all work streams for conclusion of the JDA will continue to run in parallel. A formal document to record this variation is being prepared for execution by the parties.

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