

NEWS RELEASE

Ncondezi Project Update

19 June 2020: Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) provides a general update on key developments at its integrated Ncondezi 300MW coal-fired power project and coal mine in Tete, Mozambique (the "Project") following the formal submission of an updated power tariff on 31 March 2020.

Highlights

- Following meetings with EDM, additional work requirements agreed upon and updated development programme submitted to EDM for approval
- Updated transmission integration study and Mozambican power market outlook study (the "Independent Studies") commissioned and targeted for completion in Q3 2020
- Allowing for the completion of the Independent Studies, finalisation of the tariff agreement is now expected to be during H2 2020
- Shareholders Agreement Term Sheet expected to be ready for signature in the coming weeks
- International audit firm appointed by CMEC to undertake the historical cost audit. Work has commenced with completion targeted for Q3 2020
- Engineering, Procurement and Construction ("EPC") contracts target signing in Q3 2020

Ncondezi Chief Executive Officer, Hanno Pengilly said: *"Since the submission of a formal tariff offer earlier this year, the Company has worked closely with EDM to discuss and agree the pathway to progress the Project.*

Discussions have highlighted that available technical and market assumptions critical to the Project are out of date, particularly given the developments in Mozambique and the region over the last 2 years, including progress with transmission expansion initiatives, updated supply and demand forecasts and, most recently, the potential impact of COVID-19.

With EDM's guidance, the Company has agreed to update its transmission integration study as well as conduct an independent market study for energy supply and demand forecasts in Mozambique and potential export markets. The results of these studies should verify certain technical assumptions and provide greater certainty around the business case for the Project alongside the tariff proposal, facilitating negotiations on the Project tariff. The results are also expected to be a key requirement from potential Project lenders and investors.

The Independent Studies are expected to add at least 2 months to the Project development programme, moving the tariff agreement into H2 2020. Based on this, the Company has submitted an updated work programme to EDM for review and will provide a more detailed timetable update to investors at the appropriate time.

In parallel to the tariff process, the Company continues to make good progress on other Project work streams, with the SHA Term Sheet expected to be completed in the coming weeks and the historical cost audit and the finalisation of EPC contracts expected in Q3 2020. The revised timeframes provide contingency for the recent lockdown restrictions in China."

Tariff Negotiation Process

On 31 March 2020, the Company submitted a firm tariff proposal to the Mozambican Government and EDM. This represented the last major agreed milestone to initiate formal tariff negotiations with EDM.

Following submission, the Company has held a number of virtual meetings with key representatives of EDM to discuss and agree the pathway to progress the Project. As part of this process, it has been agreed that independent studies be carried out to update the transmission integration plan and electricity market outlook (both internally and regionally). The Independent Studies will assess the current Project planning, identify potential optimisations and evaluate the value proposition of adding the Project to the Mozambique energy supply mix.

Third party consultants who are familiar with both Mozambique and the Ncondezi Project have been engaged to prepare the Independent Studies. The transmission integration study has already commenced with completion targeted in July 2020. The market study scope is in the process of being finalised and work is expected to start in July and be completed before the end of Q3 2020.

The Project work programme has been updated for the inclusion of the Independent Studies and submitted to EDM for review. Whilst this review is pending, the Company has provisionally targeted finalisation of tariff negotiations during H2 2020 post completion of the Independent Studies.

Shareholders Agreement Term Sheet

The SHA TS is in an advanced form and is expected to be signed in the coming weeks. The SHA TS will provide the framework for the full form Shareholders Agreement, including:

- Project equity participation;
- Investment conditions;
- Funding responsibilities of the parties pre and post financial close ;
- Governance structures; and
- Project management responsibilities.

Historical Cost Audit

An international independent audit firm has been appointed by CMEC to carry out the audit on the Project's historical development costs so that they can qualify for future reimbursement. The Company has provided access to a dataroom with the relevant materials and the audit work is currently targeted for completion in Q3 2020.

EPC Contracts

Ncondezi has received part of the full form EPC contracts from CMEC and has initiated its review. Finalisation of the EPC contracts is now targeted for Q3 2020.

Enquiries

For further information please visit www.ncondezienergy.com or contact:

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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 Executive Officer of the Company (responsible for arranging release of this announcement) on +27 (0) 71 362 3566.

About Ncondezi Energy

Ncondezi is an African power development company with an advanced staged, integrated 300MW thermal coal power plant and mine project located in the Tete Province, Northern Mozambique.

The Company is focused on providing reliable, affordable and accessible baseload energy to Mozambique and secure against the effects of water drought and intermittency of new renewables. This project supports Mozambique's energy strategy of universal electricity access by 2030. According to the World Bank, only 30% of the Mozambican population had access to energy in 2017. The Ncondezi Project would provide 300MW of reliable and available power helping to close the infrastructure gap of the region and serving as a catalyst for economic development.

The power plant will be designed to be equipped with state-of-the-art emissions controls technologies that will reduce local air pollutants, minimizing the plant's impact on the environment and ensuring its compliance with the most stringent emission standards

In 2019, the Company entered into the Commercial and Industrial ("C&I") renewable and battery storage sector and in October 2019 announced its first investment in an off grid solar battery project. The Company has also secured the right to fund a US\$5.5m C&I project development pipeline in Mozambique through a Relationship Agreement with GridX Africa Development announced in May 2020. The move into the C&I solar and battery storage sector offers a significant opportunity for the Company to complement the existing large-scale baseload power project and access near-term low-risk annuity income streams which have significant growth potential.