

NEWS RELEASE

SHA Term Sheet Signed – NCCL Retain 40% Equity

28 August 2020: Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to announce it has signed a Shareholders Agreement Term Sheet with China Machinery Engineering Corporation ("CMEC") where it maintains 40% equity in its integrated Ncondezi 300MW coal-fired power project and coal mine in Tete, Mozambique (the "Project").

Shareholder Agreement Term Sheet

- The Shareholders Agreement Term Sheet ("SHA TS") sets out the agreed basis for the long form Shareholders Agreement and Subscription Agreement (the "Full Form Agreements"), which will be finalised between the parties once the investment conditions are met.
- Key principles agreed include:
 - CMEC (or its affiliate) to subscribe for 60% equity in the Project following execution of the Full Form Agreements (subject to relevant corporate and regulatory approvals)
 - Ncondezi to retain 40% equity participation in the Project
 - Investment Conditions agreed for execution of Full Form Agreements
 - CMEC and Ncondezi to fund agreed development costs up to Financial Close on a 60:40 basis
 - CMEC to lead debt financing process from Chinese financiers
 - Defined governance and management structures for the Project
 - Agreed that the board of the Project will consist of three Directors nominated by CMEC and two Directors nominated by Ncondezi
 - The Board will appoint a senior management team after signing of the Shareholder Agreement but before Financial Close, when first drawdown of initial funds for construction commences.
 - The Agreement is governed by and construed in accordance of English law.
- The Investment Conditions include:
 - Approval of the tariff envelope by Electricidade de Moçambique ("EDM")
 - Ncondezi historical costs agreed
 - Engineering Procurement and Construction ("EPC") Agreements signed
 - Operations & Maintenance ("O&M") Agreements signed
 - Agreement on the 60% subscription price to be paid by CMEC
 - An adequate debt security package committed to by EDM and the Government of Mozambique meeting the requirements of investors and lenders
 - Agreement reached on the Work Program and Budget for development costs until Financial Close
 - All relevant approvals attained
- The SHA TS is based on and builds on the Joint Development Agreement ("JDA") signed in July 2019. Whilst the Full Form Agreements are being finalised, the JDA will remain in full force and effect. General Electric Switzerland GmbH ("GE") is not a signatory to the SHA TS but remains as the Project technology partner supplying the boiler, steam turbine, generator and emission control systems.

Ncondezi Chief Executive Officer, Hanno Pengilly said: *“We are delighted to have signed the Shareholders Agreement Term Sheet marking another exciting milestone for the Company. The signing establishes the key principles on which the Full Form Agreements will be executed. This will facilitate the drafting and execution of these agreements and provides a clear signal to key government counterparties in Mozambique and China of the continued progress being made with the Project.*

The SHA TS confirms that on Investment Conditions being satisfied CMEC will participate in the project as our 60% partner. They will secure the debt financing from Chinese financiers, once again demonstrating their confidence in the Project.

The agreed Investment Conditions provide a roadmap for CMEC’s investment into the Project, and outline Ncondezi’s key deliverables over the coming months.

The SHA TS also provides the framework for funding splits, governance structures and project management responsibilities for all partners once the the Full Form Agreements are in place.

Following today’s announcement, we believe the Project is the only baseload coal power project in Mozambique that has announced such progress with strategic partners, reconfirming both the Project’s credibility and position as the most advanced project of its type in the country.

This is an exciting time for the team and our shareholders as we continue to make excellent progress across all our workstreams and we look forward to updating shareholders further over the coming weeks.”

CMEC President, Fang Yanshui said: *“We are very pleased to have signed the Shareholders Agreement Term Sheet with our partner, Ncondezi. The signing represents a stepping stone to the Full Form Agreements and demonstrates continued progress at the Project.*

The agreed investment conditions set out the priority work streams between the parties over the coming months, including the approval of the tariff with EDM, signing of the EPC and O&M agreements and agreement on historical costs and the subscription price.

We remain confident that we will deliver an efficient, environmentally-friendly and economically viable integrated coal and power project successfully whilst also fully aligned with Mozambique’s goals for reliable affordable power supply.”

Enquiries

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

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Note:

The information contained within this announcement in relation to the proposed Placing and Subscriptions 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 a C&I developer. 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.