

NEWS RELEASE

Positive Solar Feasibility Draft Delivered

31 October 2022: Ncondezi Energy Limited (“Ncondezi” or the “Company”) (AIM:NCCL) is pleased to provide an update on its 300MW solar photovoltaic (“PV”) and Battery Energy Storage System (“BESS”) project (“the Solar Project”) Feasibility Study (“FS”):

Highlights

- Final draft of the Solar Project feasibility study for up to 300MW solar PV power plant plus BESS has been delivered by WSP Group Africa (Pty) Ltd (“WSP”)
- FS confirms a technically viable and attractive project, including:
 - Preferred site location selected within Ncondezi Mining Concession area with no fatal flaws identified
 - Phased expansion potential between 30MW to 300MW
 - Strong solar resource of 1,980kWh/m² (Global Horizontal Irradiation)
 - High energy yield of over 2,000kWh/kWp confirms top tier performance potential
 - Inclusion of BESS provides grid ancillary support and ability to optimise dispatch profile
 - Standardised tier 1 solar PV specifications selected reducing capex and improving performance
 - No red flags identified on Environmental and Social Impact Assessment (“ESIA”) review
- FS confirms additional specifics that are expected to further drive a competitive tariff offering, including:
 - Updated capex projections falling within the low to medium range for solar PV projects globally
 - Potential for 20% to 30% capex savings through economies of scale generated by phasing the Solar Project in 100MW phases
 - Existing development work enables fast tracking of specific work streams to Financial Close (“FC”) saving costs and time
 - Inclusion of BESS provides potential for lower cost concessional financing
- FS indicates phased construction of the Solar Project can deliver first power up to 60MW within 18 months of achieving FC with the full 300MW deliverable over 28 months.
- Separate grid connection study completed confirming 2 preferred grid connection options:
 - Options are optimized for the phased expansion of the Solar Project spreading capex requirements
 - Site is situated in close proximity to the cross border interconnectors making it ideal for regional power trading
 - Results to be presented to relevant local authorities for approval
- Updated financial model and tariff proposal targeted during November 2022
- FS results to be shared with potential off takers to confirm indicative power demand over the coming months

Working capital update

Further to the announcement made on 30 September 2022, careful cash management has extended the working capital runway into November 2022. The Company needs, and intends to secure, additional funding before the end of November 2022 with various options available and under consideration, including the potential additional tranche of £150k that may be available, at the discretion of the lenders, under the terms of the Convertible Loan announced on 16 September 2022.

Ncondezi Chief Executive Officer, Hanno Pengilly said: *“I am pleased to report that the Company’s 300MW Solar Project FS has confirmed a technically viable project with a number of advantages capable of driving a competitive power tariff whilst maintaining a robust investment return.*

The Solar Project is expected to benefit from favourable site conditions which will help lower costs and maximise energy yields. Transmission studies confirm multiple feasible connection solutions to strategically connect into the grid with potential to distribute through the Mozambican northern grid as well as the wider Southern African region.

The FS was conducted at various plant sizes including 30MW, 60MW, 100MW, 200MW and 300MW, allowing for optimal plant sizing and phasing analysis, particularly with respect to identifying economies of scale that can generate a lower more competitive power tariff. This confirmed the Solar Project delivered in phases of 100MW would maximise the benefits of economies of scale, and will form the basis of the first phase of proposed development. Subsequent phases are expected to improve scale economies and deliver even more competitive tariffs.

A fast tracked FS programme was achieved through leveraging existing advanced stage development work from our coal baseload project, and we expect these benefits to continue as the Solar Project is progressed to Financial Close.

The FS is in final draft form awaiting sign off from Ncondezi which is expected in the coming weeks. Results of the FS are now being used to update the project financial model and tariff proposal, with a target completion during November 2022. This will allow us to update shareholders with more robust cashflow projections and valuations.

During the same period, we plan to engage relevant local authorities and potential off takers. It is of critical importance that we now focus on receiving support for a preferred transmission connection solution as well as formal offtake interest, and we believe the positive FS with supporting tariff proposal will strongly position the Company to do so.

Finally, through careful cash management, the Company has been able to extend its working capital position into November 2022, allowing for further de-risking of the Solar Project before finalising a funding solution. The Board is cognisant of the need to secure additional funds in the near future. Multiple options remain on the table which will be thoroughly explored with a view to unlocking future value creation while also, as far as possible, minimising dilution to shareholders.

The Board continues to believe that the strategic review of the Ncondezi Coal Project and the Company’s repositioning as a dedicated renewable energy developer will make it more attractive to a wider investor audience with greater access to potential sources of capital.

Further announcements will be made at the appropriate time.”

Overview of the Solar Project

The Solar Project will be located within the Ncondezi mining concession 5967C which covers over 25,000 hectares in the districts of Moatize and Chiuta in the Tete Province. This is large enough for solar PV generation potential of over 5,000MW.

It is the intention that the Solar Project will connect to the Mozambique grid with target power off-takers in Mozambique and the Southern African Power Pool (SAPP).

The FS Study has taken a modular design approach to the Solar Project targeting a total 300MW but assessing in increments of 30MW, 60MW, 100MW, 200MW and 300MW.

Solar FS Overview

Site Location

3 preferred site locations with generation potential of c.500MW each were investigated for their suitability for the Solar Project. All sites confirmed similar climate conditions and relatively even surfaces, ideal for solar power generation. No red flags were identified during site visits by WSP during September 2022.

Following the site visits, a preferred site has been selected based primarily on its closer proximity to existing grid infrastructure. The site also benefits from having an existing exclusive land use permit, or DUAT, for the generation of power.

Solar Resource Assessment

Global Horizontal Irradiance (“GHI”) is the biggest indicator of potential yield of a proposed solar PV plant as it correlates directly with potential electrical output. The Solar Project is located in the Tete Province of Mozambique, an area with solar resources above average for the country. Four weather datasets were obtained and reviewed for the Solar Project to confirm the solar energy that can be utilised by the solar modules. To ensure the solar data used was representative, a minimum of ten years of historical data was used to reduce any risks relating to inter-annual variation in the solar resource. Using this information, the FS predicts an average annual GHI of 1,980kWh/m² which is considered excellent for the region.

Other meteorological parameters such as ambient temperatures, wind speed and rainfall were also accessed as part of the solar resource assessment and found to be of low risk.

Energy Yield Assessment

Solar Project GHI results were used with system design assumptions to estimate the energy output of the project, achieving a specific yield of over 2,000kWh/kWp and performance ratio over 80%. These results are very positive, being in line with some of the most competitive grid scale projects in South Africa. It is worth noting that the specific yield and performance ratio do not vary considerably as the Solar Project is scaled to 300MW, although the project will benefit from economies of scale in the overall capex. A summary of the estimated generation performance is summarised below for each generation capacity:

| Parameter | Unit | 30 MW | 60MW | 100 MW | 200 MW | 300 MW |
|-------------------|----------|-------|------|--------|--------|--------|
| Specific yield | kWh/kWp | 2033 | 2039 | 2044 | 2029 | 2027 |
| Energy Output | GWh/year | 80 | 165 | 286 | 533 | 798 |
| Performance Ratio | % | +80 | +80 | +80 | +80 | +80 |

Grid Connection

A full generation integration study has been completed to determine the optimal transmission line connection into the Mozambican grid. Various integration studies have been produced for the coal power project and formed the basis for the Solar Project assessment.

Working with the relevant local authorities, 6 potential solutions were investigated taking into account potential scaling of the project, available or under construction transmission infrastructure and planned generation plants

in the region. Results confirm there is grid capacity for the Solar Project and more than one feasible evacuation solution. The Solar Project is also ideally suited to feed power into the Mozambican northern grid as well as participate in cross border power trading within the Southern African Power Pool (“SAPP”).

Two preferred connection solutions have been identified covering grid connection distances between 20kms and 40kms. Both options have been optimised to take into account the phased approach to generation expansions, which also provides a capex benefit by spreading the cost of connection over the various phases.

The Company will now seek local authority confirmation of the preferred transmission solution for the evacuation of power.

Technology Assessment

Based on the energy yield assessment, the FS was able to optimise solar PV module and inverter equipment selection for the current phase of development. With the additional benefit of a good site location, standardised tier 1 equipment was able to be selected, allowing the Solar Project to benefit from the use of mature technologies that are expected to reduce capex and deliver high quality generation outputs. Further optimisation potential will be explored at the detailed design stage.

Various BESS technologies were investigated with lithium-ion (Li-ion) batteries being selected due to their maturity in the market. The Company already has significant experience with lithium-ion batteries in Mozambique through delivery of its Commercial & Industrial solar PV plus battery project in Vilanculos which achieved financial close at the end of 2021. BESS sizing was explored between 2, 4 and 6 hour discharging batteries, however final sizing will be finalised based on offtaker requirements.

Economies of Scale

As part of the FS, analysis of project generation sizes between 30 and 300MW has confirmed that economies of scale begin to be demonstrated from 100MW, with estimated potential capex savings of 20-30%. These economies of scale are driven largely by procurement and design efficiencies.

In addition, the transmission line capital requirement between 30MW and 100MW is broadly flat, reinforcing the advantages of initial generation capacity at 100MW.

Further expansions beyond 100MW will benefit from increased efficiencies through the ability to leverage off existing established infrastructure at the project.

The Company plans to utilise the economies of scale to deliver a more competitive tariff solution than smaller projects being developed in the region.

CAPEX and OPEX

Please note that capex and opex figures have been provided in ranges so as not to jeopardise sensitive future negotiations.

Solar PV capital costs were estimated based upon costs associated with recent projects of a similar nature, market values and from WSP’s own knowledge of the market. These values were then further verified through available market literature such as IRENA and Lazard.

Based on the information provided in conjunction with WSP’s project experience, a capex range for global solar PV projects was produced:

- Low - \$800/kWp
- Mid - \$1200/kWp
- High- \$2000/kWp

The Solar Project capex requirements are expected to fall within the low to medium range due to its site location, equipment selection and, for sizing above 100MW, economies of scale.

As with capex estimation, values have been estimated based on costs associated with recent projects of a similar nature and the IRENA and Lazard Study Reports. A tolerance has been added to reflect the range of prices that may be offered by an O&M Contractor:

Opex per kWp per year has been estimated as follows:

- Low Range Estimate - \$9.50 / kWp/yr
- Mid-Range Estimate - \$13.00 / kWp/yr
- High Range Estimate - \$19.00 / kWp/yr

The Solar Project is expected to fall within the low to medium range due to the reasons outlined above.

Transmission capex is quoted separately and will be provided in more detail following receipt of transmission solution approval.

Pricing of the BESS was based on several assumptions including benchmarking prices against quotes from tier 1 suppliers. The final BESS capital costs will be refined once sizing requirements from off takers is better understood.

Capex and opex assumptions are to be further refined once offtaker requirements are better understood and detailed engineering and design studies are finalised. Using this information, the figures will be updated based on quotes from Engineering Procurement and Construction (“EPC”) companies following the launch of an EPC tender process, although the Company may go out to tender for indicative bids earlier than this.

ESIA Red Flag Review

WSP conducted a red flag review of the Company’s existing ESIA and supporting documentation completed on the Company’s coal power project and mine, with no major issues identified. As the Solar Project is planned to be installed within the coal project’s concession area, the existing ESIA, which was approved by the Mozambican authorities, can be utilised and updated to meet the latest requirements, local and international standards. This is expected to save significant cost and time for the Solar Project in preparing the ESIA for approval.

Next Steps

The FS results provide key inputs to update the Solar Project tariff financial model. This is crucial to establish a more robust valuation for the project at the various generation stages as well as provide a tariff proposal for offtake negotiations. Given the positive draft FS results, the Company is targeting the delivery of an attractive project with a competitive tariff offering. The Company expects to have this work completed during November 2022 and will update shareholders as appropriate.

In the same time period, the FS results will also be presented to the relevant Mozambican authorities to receive additional support to progress to the next phase, including confirmation of preferred grid connection solution and project design parameters. Potential off takers are also to be engaged in parallel to confirm potential power demand.

The Company also expects to approach a select group of Engineering Procurement and Construction (“EPC”) companies for indicative equipment pricing to further strengthen the capex and opex forecasts in the tariff model.

Enquiries

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

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This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon publication of this Announcement and such information is now considered to be in the public domain. The person who arranged for the release of this announcement on behalf of the Company was Hanno Pengilly.

About Ncondezi Energy

Ncondezi is an African power development company focused on the development of renewable and baseload energy solutions at its concession located in the Tete Province, northern Mozambique.

The Company is focused on providing reliable and affordable energy to Mozambique to meet growing energy demands. Our projects support 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. Our projects would provide reliable and available power helping to close the infrastructure gap of the region and serving as a catalyst for economic development.