

NEWS RELEASE

Ncondezi Power Project Update

Highlights:

- Formal submission of final PPA and PCA expected by mid-August 2014
- Project Insurance Advisor, Marsh, appointed
- Transmission line tender process initiated

9 July 2014: Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) wishes to advise shareholders that it has entered the final stages of negotiations on the Power Purchase Agreement ("PPA") and the Power Concession Agreement ("PCA") for its 300MW power plant project (the "Ncondezi Project" or the "Project"), located near Tete in northern Mozambique.

Ncondezi has completed all internal work streams and application requirements to enable finalisation of the agreements and is in the closing stages of negotiating the key detailed parameters of the PPA and PCA with the Mozambican Department of Energy ("DoE") and Electricidade de Moçambique ("EdM"). A revised timeline has been agreed with the DoE and EdM and formal submission of both Agreements is expected by mid-August 2014.

In particular, the Ncondezi Project's economic parameters have now been predominantly finalised: the Company is negotiating within an indicative tariff range and fiscal incentives package; the power plant capital and operating costs have been confirmed through the receipt and further clarification of binding EPC and mine contractor bids; and detailed discussions with export credit agencies and commercial banks regarding the level of financing support have been held. Furthermore, the Company has received a number of expressions of interest from potential investors in participating in the equity of the Project once it has executed the PPA and PCA.

Negotiations with potential co-developers are at an advanced stage and the Company expects to be in a position to update shareholders during Q3 2014. Ncondezi is fully funded to complete the PPA, PCA and co-developer processes.

In addition, the transmission EPC tender process has been initiated and Ncondezi is also pleased to announce the appointment of Marsh Ltd ("Marsh") as the Project's Insurance Advisor, one of the global leaders in insurance broking and risk management. Marsh have been mandated to advise on the design and procurement of the complete insurance program required for the project during the construction and operational phases.

Commenting on the announcement, Paul Venter, CEO, said *"The bespoke nature of these agreements, particularly the PPA and PCA, has taken longer than we expected as we are negotiating complex agreements spanning twenty five years of power generation and power offtake for Mozambique's first ever fully dedicated thermal coal power station. However we are in the final stages and all parties involved remain committed to completing negotiations by mid-August. Fortunately, these minor delays do not impact the overall project schedule and we are still targeting project close by year end and construction in H2 2015."*

Enquiries:

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Ncondezi Energy 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 phases, up to 1,800MW. Commissioning is planned for 2017, followed by commercial operations in H1 2018. The first 300MW phase is targeting domestic consumption in Mozambique using reinforced existing transmission capacity to meet current demand.