

NEWS RELEASE

Ncondezi Power Update

Highlights:

- Draft Power Purchase Agreement submitted to EdM, targeting finalisation Q2 2014
- Power Concession application submitted to Department of Energy, targeting receipt Q2 2014
- Preferred EPC bidder expected to be announced in Q3 2014
- Power Plant Project Vehicle being incorporated
- Project Insurance Advisor to be appointed in April 2014
- Transmission line EPC tender process to start in Q2 2014
- Negotiations continuing with potential co-developers, expect further update Q2 2014
- Cash of US\$5.9 million, fully funded to complete current work streams

8 April 2014: Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to provide an update on the progress of its 300MW power plant project (the "Ncondezi Project") located near Tete in northern Mozambique.

Power Plant

In March 2014, the Company submitted a draft PPA to Electricidade de Mozambique ("EdM") and made its application for the Power Concession to the Mozambican Department of Energy ("DoE"). Negotiations are underway and both EdM and DoE have confirmed their commitment to work with Ncondezi to finalise these agreements by the end of Q2 2014. This follows discussions that initiated at the beginning of the year that built on the parameters agreed in the Power Purchase Agreement Heads of Terms with EdM and the Power Framework Agreement with the DoE, which were signed and made effective in October and December of 2013 respectively.

Further to the announcement dated 4 March 2014, on the Engineering, Procurement and Construction ("EPC") bids being received for a turnkey power plant solution, initial evaluation has confirmed that the power plant's capital costs and build times are in line with expectations previously announced to the market, and project financing up to 85% of the EPC contract price may be achievable. Ncondezi expects to announce the preferred bidder in Q3 2014.

Negotiations with potential co-developers commenced during the quarter with several parties and are progressing well. Ncondezi expects to update the market further during Q2 2014 and it is still expected that the process will be completed around the time of finalisation of the PPA (the Final Form PPA).

As a result, the Company has initiated the incorporation of the Power Plant Project Vehicle ("PPPV"). This will be a separate vehicle to the mine project vehicle which currently holds the Mine Concession, and will hold the Power Concession when it is issued. The PPPV will also be the holding structure into which power specific investors, such as EdM and the potential power co-developer, will hold their equity stakes in the power project.

The Company has also started the tender process to appoint an insurance advisor, who will manage all the insurance obligations of the Ncondezi Project including input into the PPA and other key commercial documentation. Ncondezi expects to announce the Project Insurance Advisor during April 2014.

Transmission

Norconsult, a recognised international engineering and design consultancy, was appointed during Q1 2014 to manage the transmission line EPC process. Norconsult has significant experience working in the power and transmission sectors in Mozambique and has a good working relationship with EdM.

With the design and technical work largely completed, the transmission line tender documents are in the final stages of the approval process and are targeted for distribution by the end of April 2014, with final bids due

during Q3 2014. The slight delay in sending out the tender documents (originally due out in March 2014) was caused by minor route adjustments to minimise potential resettlement requirements and related capital costs of the transmission line. The transmission line Environmental and Social Impact Assessment is due for completion during Q2 2014.

Corporate

The Company is fully funded to complete the PPA, Power Concession, Co-developer and EPC processes. The Company’s cash balance, as at 31 March 2014, was US\$5.9m, following a VAT rebate of US\$1.4m. Full year financial results will be announced during May 2014.

Commenting on the announcement, CEO Paul Venter said *“We have made good progress on a number of work fronts this quarter and I am pleased to say we have delivered the majority of these elements within our control. On the PPA, we have made solid progress narrowing down the key project parameters and, importantly, received commitment from DoE and EdM to complete negotiations by the end of Q2 2014. Increasing power generation capacity in Mozambique is a key Government priority and our Project is currently the only coal fired power project that will significantly boost power availability in the country.*

We are fully funded to complete our work streams and I look forward to updating shareholders further during Q2 2014.”

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.