

NEWS RELEASE

Ncondezi Energy Signs Power Purchase, Coal Supply and Transmission Agreement Heads of Terms

Highlights

- Power Purchase and Transmission Heads of Terms signed with EdM
- Coal Supply Heads of Terms also agreed and finalised
- EdM confirms it will be the exclusive purchaser of 300MW (gross) electricity from Phase 1 power plant
- Binding Power Purchase Agreement targeting agreement in Q1 2014

14 October 2013: Ncondezi Energy ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to announce it has achieved a major milestone with the signing of the non-binding Power Purchase and Transmission Agreement Heads of Terms ("PPA HoTs") with Electricidade de Mozambique ("EdM"), the state owned power utility company for its 300MW integrated thermal coal mine and power plant project (the "Ncondezi Project"), which is located near Tete in northern Mozambique.

The non-binding Coal Supply Agreement Heads of Terms ("CSA HoTs") have also been agreed with the Ncondezi coal mine, as owner of the fuel resource, for twenty five years. The Agreement will be finalised during Q1 2014.

The PPA HoTs is the pre-cursor to negotiating a full and binding Power Purchase Agreement ("PPA") with EdM, which the Company is targeting agreement in Q1 2014. Formal PPA negotiations are expected to commence imminently and an agreed timeline is in place to get the PPA in final form.

The PPA HoTs sets out the key principles for the sale and purchase of electricity and ancillary services between EdM and Ncondezi, as well as the construction and transfer of a transmission line to connect the power plant to the Northern Grid in Mozambique, including the following provisions:

- EdM will be the exclusive buyer of the electricity generated by the first phase 300MW unit of the Ncondezi Project for a 25 year period from the date of commercial operation, which is being targeted in H1 2018.
- Ncondezi will be responsible for:
 - The design, construction, commissioning, ownership, operation and maintenance of the power plant;
 - Making available the entire capacity of the power plant and net electrical output to EdM on an exclusive basis;
 - The power plant's fuel supply, including a Coal Supply Agreement with the Ncondezi coal mine at arm's length on commercial terms; and
 - The design, construction, commissioning of a transmission line which will be transferred to EdM for operation and maintenance upon commissioning.
- EdM will be responsible for:
 - The exclusive purchase of the first 300MW (gross) electricity;
 - Making the tariff payments;
 - On-going operation and maintenance of the transmission connection; and
 - Providing assistance to enable the power plant to undertake its testing and commissioning procedures.
- The tariff composition has been agreed and will cover fixed, capacity, energy and ancillary service payments for the power plant, and will be subject to appropriate indexation.

- Post construction and commissioning of the transmission connection to the Northern grid, Ncondezi will transfer ownership to EdM in consideration of a lump sum, fixed monthly instalments or combination of both.

Commenting on the announcement Paul Venter, CEO, said “The signing of the PPA HoTs significantly accelerates the project momentum built over the past five months as it confirms EdM as the main offtaker for the first 300MW generated. This represents a major step forward in the development programme for the Ncondezi Project and now enables us to commence negotiations on the binding PPA, which we are targeting to complete in Q1 2014.

The degree of engagement we have experienced with the key commercial agreements and the speed in which they have been executed, post the signing of the Power Framework Agreement in April, is a clear reflection of the Mozambican Government, EdM and Ncondezi’s commitment to bring the Ncondezi Project to Financial Close within the 2014 timeframe.

We are now targeting completion of the remaining conditions precedent during the quarter in order to make the Power Framework Agreement effective by year end, as previously indicated, which will allow us to begin Power Concession Agreement negotiations, a key component of the PPA. ”

Enquiries:

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

NcondeziEnergy:	Hanno Pengilly / Alex Buck	+44 (0) 20 7183 5402
Liberum Capital Limited: NOMAD & Broker	Simon Atkinson / Christopher Britton	+44 (0) 20 3100 2000
finnCap: Joint Broker	Matthew Robinson / Elizabeth Johnson / Joanna Weaving	+44 (0) 20 7220 0500
Pelham Bell Pottinger:	Daniel Thöle/ Weston Macklem	+44 (0) 20 7861 3232

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.