

## NEWS RELEASE

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### **Ncondezi Update on Power Plant Economics and Development Progress**

18 November 2013: Ncondezi Energy ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to announce a project update at the 300MW integrated thermal coal mine and power plant project (the "Ncondezi Project"), located near Tete in northern Mozambique. The Company remains on track to complete the Final Form Power Purchase Agreement ("FF PPA") by the end of Q1 2014 and reach financial close at the end of 2014 in order to start commissioning the power plant in H2 2017 and commence commercial operations in H1 2018.

The Ncondezi Project has gained significant momentum over the past seven months, since signing the Power Framework Agreement ("PFA") with the Government of Mozambique in April 2013, with the granting of a Mining Concession, approval of both the mine and power plant Environmental Social Impact Assessments and the signing of the Coal Supply Agreement Heads of Terms ("CSA HoTs") and the Power Purchase and Transmission Agreement Heads of Terms ("PPA HoTs").

As announced on 14 October 2013, Ncondezi signed the PPA HoTs with Electricidade de Mozambique ("EdM"), the state owned power utility company. This was a major milestone for the Company as it confirmed EdM's intention to 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 operations, which is targeted for H1 2018.

The PPA HoTs is the pre-cursor to negotiating a full and binding FF PPA, which will confirm the economics of the Ncondezi Project and allow the Company to enter the financing phase to reach financial close which is targeted to be completed in Q4 2014. Following signing of the PPA HoTs, the Company has agreed a timetable with EdM and the Mozambican Government to complete the FF PPA by the end of Q1 2014.

Indicative non-binding bids from engineering, procurement and construction ("EPC") contractors, received in June 2013, for the construction and commissioning of the 300MW power plant, have given the Company sufficient comfort on the power plant economics. Estimated annual revenues are over US\$200 million per annum with average EBITDA margins over 50%. The Company is targeting a nominal equity IRR of between 18%-20%, which the Directors believe will give an estimated power plant NPV at financial close of in excess of US\$200 million and estimated net equity cash flows of in excess of US\$2 billion over the life of the power plant. These estimates are based on a debt to equity ratio of 70:30 and a nominal post tax WACC of 12%.

With the FF PPA timetable, this is the Company's preferred timing for the negotiated entry of a co-developer to jointly invest in the Ncondezi Project to fund the Company to financial close. The Company estimates that an additional \$15 million will be required to get to financial close, and the bulk of this is expected to come from a preferred co-developer once FF PPA has been achieved. A co-developer selection process has been initiated and is being managed by KPMG LLP, the Company's Project Financial Adviser. The process currently includes specialist power private equity firms as well as strategic independent power producers. The co-developer process is targeting the selection of a preferred co-developer in Q1 2014.

Before the end of the year the Company expects to make the PFA effective and provide a mine update. Making the PFA effective requires the completion of seven conditions precedent, of which the Company has completed four (PPA HoTs including transmission, Mining Concession and CSA HoTs). The outstanding conditions precedent include:

- Submission of an updated feasibility study to EdM and the Government of Mozambique;
- Signing of a binding Power Plant Project Vehicle Heads of Terms with the Government of Mozambique which will confirm local participation in the power plant; and
- Signing of a MoU on Fiscal and Investment Incentives with the Government of Mozambique.

The Company is on target to meet the above outstanding conditions precedent in Q4 2013, and intends to progress with Power Generation Concession negotiations once the PFA has become effective.

Following today's separate coal resource update announcement, the Company has sufficient coal resources in the Measured Category to agree a bankable Coal Supply Agreement between the power plant and the mine. This required 70 million tonnes of coal to be classified in the Measured Category to supply the 300MW power plant for 25 years plus a 40% contingency, which has been exceeded by the updated 120 million tonnes Measured JORC Resource classified on the Ncondezi Project mine concession. The Company is now progressing with updating the current mine plan and design to include the updated resource estimate, and expects to have revised capital and operating costs by the end of Q4 2013.

An updated investor presentation has been placed on the Company's website at [www.ncondezienergy.com](http://www.ncondezienergy.com).

**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 to start in H2 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.