

December 12, 2011

## **NCONDEZI COAL COMPANY LTD**

### **("Ncondezi" or the "Company")**

#### **Provisional Ncondezi Project Resource Update**

Ncondezi Coal Company Limited (AIM: NCCL), a coal exploration and development company with coal assets in the Tete Province in Mozambique, today announces an update of the coal resources of its Ncondezi Project (licences 804L & 805L) as part of the Company's on-going work programme to complete a definitive feasibility study ("DFS") by mid-2012 (the "DFS Work Programme").

#### **Highlights:**

- Provisional JORC resource update from the Company's independent geological consultants, The Mineral Corporation Consultancy (Pty) Ltd ("TMC"), has classified a coal resource of 1.7 billion tonnes<sup>1</sup> following an update for three of the six coal blocks on the Ncondezi Project
- Updated resources suggest that the total Ncondezi Project resource is likely to be significantly larger than the maiden 1.8 billion tonne resource classified in February 2010 once all six blocks have been updated
- Resource update includes a maiden JORC resource estimate for the previously excluded Central Block and an update on the North Block and South Block Zone A:
  - North Block: 405 million tonnes<sup>1</sup>
  - Central Block: 408 million tonnes<sup>1</sup>
  - South Block Zone A: 849 million tonnes<sup>1</sup>
- Further updated resource estimates are expected for all coal blocks before the end of Q1 2012
- Coal zones occur at or near surface on all three coal blocks and more than 1.4 billion tonnes of the updated coal resource estimate occurs at depths of less than 250m below surface and is considered potentially mineable by open pit
- Average coal zone thicknesses of between 26m to 86m identified
- This resource update follows the completion of the DFS drilling programme in August 2011, which included 306 boreholes and over 52,000 meters of drilling

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<sup>1</sup> Resources are in-situ ("TTIS"). Geological losses and a 0.5m minimum seam thickness cut-off were applied .

- Potential products, for the North Block, Central Block and South Block Zone A, include both export and domestic thermal coals
- Initial wash results on South Block Zone A indicates potential to produce an export thermal product with a calorific value of 6,280 kcal/kg (26.3 MJ/kg) GAR with yields of 32%-36%<sup>2</sup> increasing to 50%-54%<sup>2</sup> when a middlings domestic coal product is included
- Update on coking coal potential on target for Q1 2012

Processing of coal sample test results and updating of the resource models is on-going, and the Company expects to make further resource updates for all six coal blocks on the Ncondezi Project as more information becomes available over the coming months.

**Graham Mascall, CEO of Ncondezi Coal Company, commented:**

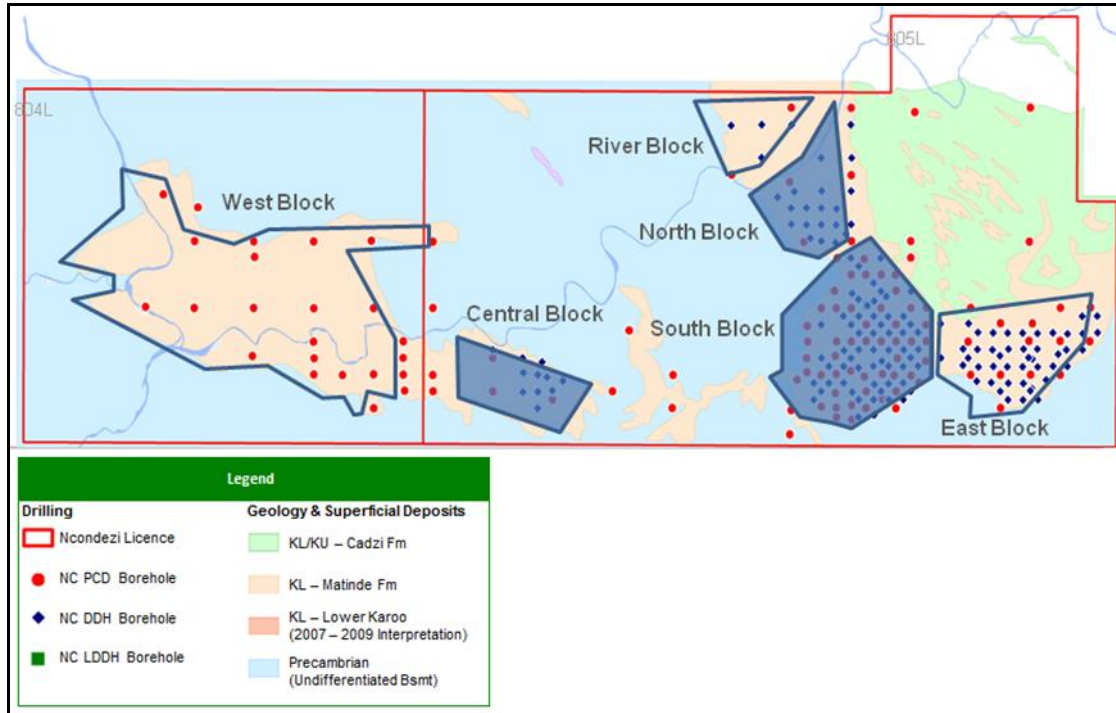
*"I am very encouraged by the updated resource statement produced by the Company's geological consultants TMC, on the three blocks on which data from our recent DFS drilling programme is available. Further resource updates will be forthcoming once all outstanding information has been processed for all six blocks in Q1 2012. These coal resources together with wash simulations will then be used to determine mineable reserves and a production profile in the DFS for the Ncondezi Project, which is scheduled for completion during H2 2012."*

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<sup>2</sup> All yields refer to laboratory washability results on a cumulative air dried basis

### Ncondezi Project Provisional Resource Update

The DFS drill programme, completed in September 2011, identified six discrete coal blocks within the Ncondezi Project area that contained coal at depths amenable to open pit mining. These blocks are identified as North, South, Central, East, West and River blocks, as per the map of the Ncondezi Project licence areas below:



Ncondezi Project licence areas

Coal washability test results from over 4,700 samples sent to independent accredited laboratories in South Africa are still being received for all coal blocks. Despite this, sufficient information has been received to enable the Company’s geological consultants, TMC, to produce provisional JORC resource models for coal selected zones of the North Block, Central Block and South Block (see areas highlighted in blue in the map above) based on newly acquired data from the DFS drill programme.

The total tonnes in-situ updated JORC resource for the three blocks is 1.7Bt, with 612Mt classified in the indicated category, and 1,050Mt classified in the inferred category. A full comparison with the Ncondezi Project maiden JORC resource of 1.8Bt will be carried out once complete information is received for all six coal blocks, however this initial resource update indicates that the complete updated resource for the Ncondezi Project, following the analysis of all samples from the DFS drill programme, is likely to be significantly larger. The Company expects to make further resource updates for all six blocks during Q1 2012.

Based on initial washability analyses to date, potential coal products after beneficiation from the Ncondezi Project include:

- An export thermal coal with c.20% ash.
- A domestic thermal coal product consisting of a high to low volatile matter and +30% ash

Initial wash test results on Zone A of the South Block, the likely target area for first production, indicate the potential to produce an export thermal product with calorific values of 6,280 kcal/kg (26.3 MJ/kg) GAR and yields between 32%-36%<sup>3</sup>. This increases to a combined yield of between 50%-54%<sup>3</sup> when a domestic thermal

<sup>3</sup> All yields refer to laboratory washability results on a cumulative air dried basis

product with calorific values of 4,060 kcal/kg (17.0 Mj/kg) GAR is included as a secondary middlings product for domestic consumption.

As previously announced, a recent coal study demonstrated that the domestic thermal coal product may be suitable as feedstock to a mine mouth power station or for coal gasification, and the Company is progressing with further feasibility work to better understand this opportunity.

As part of the next steps in the DFS work programme, the Company will undertake further work in order to optimise the potential products from the Ncondezi Project. In particular, washability investigations and mining optimisations will be run to assess opportunities to increase yields and optimise the overall properties of the coal products. At this stage the optimal proportion of export to domestic thermal has not been finalised. Further information on the results of the optimisation process will be released as it becomes available in the first half of 2012.

During Q1 2012, the Company will also assess the economic viability and qualities of a 10-12.5% ash coal product to determine the potential for producing a coking coal product.

Below is a commentary from TMC regarding the resource update:

*"It should be noted that, with respect to classification of coal resources, TMC has adopted a conservative approach in that indicated and inferred resources have been defined by an average spacing of boreholes with quality data of approximately 500 metres and 2,000 metres respectively. In comparison, the JORC Code recommends that points of observation used to define the latter resource categories should normally be less than 1,000 metres and 4,000 metres apart respectively, while the South African National Standard (SANS 10320 -2004) recommends equivalent distances of not more than 1,000m and 3,000m respectively.*

*Washability testwork results are pending for a number of samples from the North and Central blocks, therefore the current resource estimations should be regarded as provisional and will be further updated once all outstanding laboratory reports have been received. This is expected during Q1 2012. The additional analytical data should allow a proportion of the resources currently classed as inferred to be elevated to the category of indicated.*

*Resource modelling work on the South Block is also on-going. However, provisional resource estimates for the lowermost coal zone, Zone A, have been generated. Modelling of the overlying, coal zones, Zones B, C and D, is in progress.*

*A summary of the provisional resource estimates is tabulated below:*

IN SITU RESOURCES					IN SITU RAW COAL QUALITIES (adb)						
VOLATILE MATTER	CLASS	GTIS Mt	TTIS Mt	MTIS Mt	IM %	ASH %	VM %	FC %	CV MJ/kg kcal/kg		TS %

NORTH BLOCK - ZONES A & B											
HIGH	Indicated	148.8	133.9	125.0	1.4	58.9	17.1	22.5	11.78	2,814	0.84
	Inferred	217.9	185.3	141.0	1.4	63.4	16.3	18.9	9.98	2,384	0.76
	<b>Sub-total</b>	<b>366.7</b>	<b>319.2</b>	<b>265.9</b>							
LOW	Indicated	35.3	31.8	31.3	2.6	61.0	7.4	29.0	9.87	2,357	0.86
	Inferred	63.5	54.0	39.5	1.8	68.8	7.3	22.1	7.72	1,844	0.76
	<b>Sub-total</b>	<b>98.9</b>	<b>85.6</b>	<b>70.8</b>							
HIGH & LOW	Indicated	184.1	165.7	156.3	1.7	59.3	15.2	23.8	11.39	2,720	0.84
	Inferred	281.5	239.3	180.4	1.5	64.6	14.4	19.6	9.48	2,264	0.76
	<b>Totals</b>	<b>465.6</b>	<b>405.0</b>	<b>336.7</b>	<b>1.6</b>	<b>62.2</b>	<b>14.7</b>	<b>21.6</b>	<b>10.37</b>	<b>2,477</b>	<b>0.80</b>

SOUTH BLOCK - ZONE A											
HIGH	Indicated	146.3	131.6	128.6	1.2	47.3	18.6	31.4	15.59	3,724	1.12
	Inferred	220.4	187.3	175.8	1.1	49.3	18.3	30.1	14.86	3,549	1.09
	<b>Sub-total</b>	<b>366.6</b>	<b>319.0</b>	<b>304.4</b>							
LOW	Indicated	247.1	222.4	219.8	2.1	49.9	7.8	40.2	13.19	3,150	0.93
	Inferred	362.1	307.8	296.7	2.3	50.3	7.7	39.8	13.05	3,117	0.88
	<b>Sub-total</b>	<b>609.3</b>	<b>530.2</b>	<b>516.5</b>							
HIGH & LOW	Indicated	393.4	354.0	348.4	1.8	49.0	11.8	36.9	14.08	3,363	1.00
	Inferred	582.5	495.1	472.5	1.8	49.9	11.6	36.2	13.72	3,277	0.96
	<b>Totals</b>	<b>975.9</b>	<b>849.2</b>	<b>820.9</b>	<b>1.8</b>	<b>49.5</b>	<b>11.7</b>	<b>36.5</b>	<b>13.87</b>	<b>3,313</b>	<b>0.97</b>

CENTRAL BLOCK - ZONES A, B & C											
HIGH	Indicated	108.4	92.1	91.2	1.7	59.6	17.7	21.0	11.09	2,649	0.85
	Inferred	395.1	316.1	245.6	1.6	59.8	17.9	20.7	11.16	2,666	0.92
	<b>Totals</b>	<b>503.5</b>	<b>408.2</b>	<b>336.8</b>	<b>1.6</b>	<b>59.8</b>	<b>17.8</b>	<b>20.8</b>	<b>11.14</b>	<b>2,661</b>	<b>0.90</b>

TOTAL NORTH, SOUTH & CENTRAL BLOCKS											
HIGH & LOW	Indicated	685.9	611.9	595.8	1.7	53.3	13.6	31.1	12.92	3,086	0.94
	Inferred	1,259.1	1,050.5	898.5	1.7	55.6	13.9	28.6	12.17	2,907	0.91
	<b>Totals</b>	<b>1,945.0</b>	<b>1,662.4</b>	<b>1,494.3</b>	<b>1.7</b>	<b>54.7</b>	<b>13.8</b>	<b>29.6</b>	<b>12.47</b>	<b>2,978</b>	<b>0.92</b>

Notes to resource table:

- GTIS = Gross Tonnes In-Situ coal resource tonnage (contained in the full seam thickness above the minimum thickness cut-off of 0.5m and relevant coal quality parameters)
- TTIS = Total Tonnes In-Situ coal resource (GTIS resources with geological loss factors applied)
- MTIS = Mineable Tonnes In-Situ coal resource tonnage (TTIS resources to a maximum depth of 250 metres)
- IM = Inherent Moisture
- VM = Volatile Matter
- FC = Fixed Carbon
- CV = Calorific Value
- TS = Total Sulphur

- *Indicated resources are defined within areas where the spacing of boreholes with raw coal quality data is approximately 500 metres. Extrapolation of these areas is limited to approximately 250 metres*
- *Inferred resources are defined within areas where the spacing of boreholes with raw coal quality data is approximately 2,000 metres. Extrapolation of these areas is limited to approximately 1,000 metres*
- *All qualities are quoted on an air-dried-basis*
- *Yield figures are theoretical yields for +0.5mm material derived from slim core samples*
- *Certain amounts of dummy data are included in the quality database, particularly wash analyses of low-volatile coal samples; further analytical work is in progress and an update will be made in due course*
- *Ply thicknesses are weighted against coal seam area to obtain average resource thicknesses*
- *Ply RDs are weighted against coal volume to obtain average resource RDs*
- *Ply product yields are weighted against tonnage to obtain average yields*
- *Ply product qualities are weighted against wash yield and tonnage to obtain average resource qualities*
- *"Low Volatile" coals have been devolatilised by igneous intrusions. Studies by Ncondezi indicate that these coals may be economic*
- *GTIS represent the entire classified resource for the block, with application of a 0.5 metre minimum ply thickness cut-off, but no depth restriction*
- *North and South Blocks - TTIS were estimated from the GTIS tonnages by applying a Geological Loss of 10% to Indicated resources and 15% to Inferred resources*
- *Central Block - TTIS were estimated from the GTIS tonnage by applying a Geological Loss of 15% to Indicated resources and 20% to Inferred resources*
- *MTIS are TTIS resources to a depth limit of 250 metres*
- *North Block - As hydrological studies have not yet been completed, no allowance has been made for any possible sterilisation of resources which may occur within the historical flood lines of the Ncondezi River*
- *North Block - All Zone A resources occur to the South of the major fault*
- *North Block - All Zone B resources occur to the North of the major fault*
- *Central Block - Locally devolatilised or burnt coal associated with dykes has been excluded from resources*
- *Central Block - Coal occurs in Zones D, E & F, but the resources cannot be currently classified as laboratory results are pending*
- *South Block - Estimation of resources for Zones B, C and D is in progress*

## Coal Geology and Resources

The coals of economic interest are hosted within carbonaceous zones, which may exceed 100m metres in thickness, and comprise coal plies and argillaceous partings in varying proportions. Zones can usually be correlated with reasonable confidence within each discrete resource block however correlation between adjacent fault-bounded blocks is more tentative.

It is generally accepted that faults were active during coal formation times therefore coal zones with the same name occurring in different blocks may not necessarily be stratigraphically equivalent.

The coal zone thicknesses parameters are shown below.

Block	Coal zones	Coal zone thickness (m)		
		Minimum	Maximum	Average
South	A	31.6	75.3	60.0
North	B	24.4	110.0	85.8
	A	29.4	72.0	55.8
Central	F	23.9	34.5	27.8
	E	22.7	46.8	30.5
	D	12.6	35.2	29.4
	C	12.2	40.3	27.9
	B	19.6	55.0	39.9
	A	25.7	46.6	25.7

Coal zone structure appears to be primarily controlled by the pre-Karoo palaeo-topography but has been subsequently modified by post-Karoo tilting of the strata. Dips are generally gentle but may steepen locally over basement highs or where faulting has resulted in frictional drag. Within the zones, individual coal plies may exhibit lateral variations in thickness and quality.

In certain areas, the heat effects of post-Karoo age igneous intrusions, particularly dolerite sills, have resulted in devolatilisation of the coals. This has resulted in “low volatile” coals or “pseudo-anthracites”.

Zone A is the lowermost coal horizon and exhibits relatively superior coal qualities. It is thought to be the equivalent of the Chipanga Seam that is currently being mined by Vale, Minas Moatise and Rio Tinto in the Tete area. In the Ncondezi concessions, exploration to date has been focussed on areas where Zone A occurs at relatively shallow depths.

### North Block

Within the North Block, a total of seven coal zones have been identified. However there is currently insufficient data available to allow modelling of the coal horizons which occur above Zone B.

The North Block is structurally dominated by a major NW-SE trending fault with a down-throw to the north of up to 300 metres. South of the fault, Zone A can occur at depths in excess of 150 metres and extends up-dip in a south-westerly direction until it sub-crops close to surface. To the north of the fault, Zone A occurs at significant depths and, in this sector, the shallower Zone B is considered the principal mining target. All reported Zone A resources are located south of the fault while all reported Zone B resources exist to the north. Parts of the North Block resource have been heat affected by dolerite sills.

### Central Block

*Within the Central Block, six coal-bearing zones, named A to F from the base upwards, have been identified and correlated. The prime economic target is the lowermost Zone A which occurs at or near surface in the northern sector of the resource block and dips gently towards the SSW or WSW. The maximum recorded depth is 230 metres. At the southern limit of the block, all the coal zones are truncated by a major fault which downthrows the Karoo strata against basement rocks of the Tete Complex.*

*To date resource estimates have been generated for only Zones A, B and C. The resources of the stratigraphically higher zones D, E and F will be estimated once the outstanding analytical data has been received.*

*Three dolerite dykes have been identified from the results of aeromagnetic surveys but the metamorphic effects are considered likely to be minimal. Drill investigations to date have not detected any significant dolerite sills and therefore little or no devolatilisation resulting from such sources is expected.*

### **South Block**

*Four distinct coal zones are present. Provisional modelling and resource estimation of Zone A has been completed, whilst resource estimates for the remaining Zones (B, C and D) will be reported subsequently.*

*The South Block is dominated by a synclinal basin structure which is truncated in the south by a major, west-east trending fault, which uplifts basement rocks of the Tete Complex to surface. The coal zones occur close to surface around the western, northern and north-eastern margins of the basin and dip gently towards the centre of the basin where Zone A may occur at depths in excess of 300 metres.*

*A number of transgressive dolerite sills have resulted in the occurrence of "low volatile" coal over significant areal extents. Aeromagnetic imagery also indicates that several dolerite dykes traverse the block, however the heat effects from these intrusions are considered minimal."*

### **Competent Person Statement**

Mr Mark Stewardson (Pr.Sci.Nat) of The Mineral Corporation Consultancy (Pty) Limited is registered as a professional geologist with South African Council for Natural Scientific Professions and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity undertaken, to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

Mr. Stewardson supervised the preparation of the technical information in this update release and consents to the inclusion of exploration results and other such information in the form and context in which it appears.

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this update has been presented in accordance with the JORC Code and references to "Measured", "Indicated" and "Inferred Resources" are relevant to those terms as defined in the JORC Code.



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