

NEWS RELEASE

Ncondezi reaches Commercial Deal with EdM

Highlights

- Tariff range agreed for 25 year Power Purchase Agreement
- Tariff range supports Ncondezi Power Project economics
- Targeting substantially concluding PPA and PCA by end of 2014

10 September 2014: Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to announce that it has reached a commercial deal with Electricidade de Mozambique ("EdM") on the sale of electricity from the Ncondezi Power Project (the "Project").

The agreed commercial deal includes the range for the starting electricity tariff to be paid by EdM, which will then be subject to adjustments during the 25 year operational life of the Project. The commercial deal is subject to a number of conditions precedent, to be satisfied by the end of 2014, including the introduction of a strategic investor acceptable to EdM, confirmation of the availability of political and commercial risk cover, bankable EPC contracts, bankable and acceptable O&M operator arrangements and agreeing a timetable for the substantial completion of all key project agreements involving EdM.

This announcement is a result of negotiations and progress over the last six months between Ncondezi, EdM and the Mozambique Department of Energy ("DoE") on critical matters to the Project's viability, including the structure and content of key project agreements (in particular the Power Purchase Agreement ("PPA") and the Power Concession Agreement ("PCA")), the PPA tariff (level, structure and indexation) and the terms of credit support to be provided for the Project.

The EdM Board of Directors has approved the commercial deal and conditions precedent and endorsed continued negotiations between the parties with a view to concluding the key project agreements by end of 2014. The PPA and PCA are both anticipated to be finalised in conjunction with the EPC contract and O&M operator arrangements, and once approved, are expected to be initialled by EdM and DoE and will be executed at Financial Close which is targeted for H1 2015.

Commenting on the announcement, CEO Paul Venter said, "*This is a very significant milestone for Ncondezi and is the culmination of all our hard work over the last 2 years. We would like to thank EDM and the Department of Energy for their ongoing support and we look forward to continuing to work with them as we move to towards Financial Close targeted for H1 2015 following which construction is expected to begin 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 up to 1,800MW. The first 300MW phase is targeting domestic consumption in Mozambique using reinforced existing transmission capacity to meet current demand and commercial operations are targeted for H1 2018.