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Ncondezi Project Update

18 June 2012: Ncondezi Coal Company Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to provide an update on its flagship Ncondezi coal project (the "Project") in the Tete Province of Mozambique as both the Project Definitive Feasibility Study ("Project DFS") and the power plant DFS ("Power DFS") near completion.

As work on both the Project and Power DFS has progressed, a number of coal production and ramp-up scenarios have been investigated in order to maximise project value, shorten time to production, minimise development capital and accommodate the short-term rail and port constraints.

Ncondezi is now targeting the phased development of an open pit mining operation, producing export thermal coal products as well as using the mine's middlings and non-export grade coals to feed a mine mouth thermal power station. Ncondezi believes this is a compelling scenario which maximises the Project's resource base, is capital efficient, optimises project returns and offers a realistic path to financing and production.

Project Highlights

- Project DFS on track for delivery in Q3 and publication in Q4 2012
- Targeting phased development of the Project to maximise project returns, minimise development capital and time to production and accommodate short-term infrastructure constraints
- Resource base can support long life (+20 years), open cast mining operation in excess of 10 million tonnes per annum ("Mtpa")
- Initial mining operation of up to 4Mtpa, consisting of a 2Mtpa export thermal coal and 2Mtpa power plant feedstock
- Wood Mackenzie study confirms marketability of Ncondezi's export coal products to Asian markets
- Potential small coking coal resource identified, not currently being considered as part of the mine plan

Power Highlights

- Encouraging results from Power DFS highlight significant value potential of a mine mouth thermal power plant to meet regional power demand
- Phased development of a thermal power plant located within Ncondezi Project area to be included in the Project DFS
- Power DFS nearing completion and due for publication in Q3 2012
- Mozambique is a key power player in the Southern African Development Community ("SADC") region and is the largest power exporter into South Africa
- Existing and strengthened transmission capacity in Mozambique can support first phase 300MW to 600MW power plant
- Strategic Partner search process broadened to include power component

Commenting on the Project Update, Chief Executive Nigel Walls said "*Today's announcement demonstrates the significant progress Ncondezi has made on advancing its export coal and power strategies as it seeks to develop its large scale, strategically located coal resource.*

We are focused on a phased development approach for the Project in order to deliver a financeable solution which maximises returns and offers an achievable path to production. The power component of the Project DFS will enhance overall project economics by providing revenue from non-export grade products at a minimal additional cost.

The long-term fundamentals for the seaborne thermal coal market remain strong as demand growth is driven by the build out of power generation in Asia. The recently published Wood Mackenzie coal marketing study confirms that we have a saleable product that is attractive to Asian customers.

Ncondezi is also well placed to capitalise on the significant potential for power generation in southern Africa. Our power strategy is closely aligned to the Mozambican Government's stated policy of in-country beneficiation as they consolidate their position as a leading regional power player.

The team is now concentrating on delivering the Project and Power DFS studies in the second half of the year and the permitting process is underway as we continue to move the Project towards the development and construction phase."

The Project DFS Update

The Project DFS is on track for completion in the third quarter and publication during the fourth quarter 2012. The Project DFS is targeting phased development of an open pit mining operation, with low strip ratios, capable of producing an export thermal coal product as well as using the mine's middlings and non-export grade coals to feed a thermal power station located on site.

The Company continues to anticipate first production during the second half of 2015, with the first phase targeting total production of up to 4Mtpa, 2Mtpa of export thermal coal and an additional 2Mtpa of domestic power plant feedstock.

The current resource base is capable of sustaining a long life (+20 year) mining operation in excess of 10Mtpa. The Project DFS envisages up to 5Mtpa of export thermal coal and 7Mtpa of domestic power plant feedstock. Expansion beyond the first phase will be contingent upon financing and the successful development of the long-term transport and power transmission infrastructure corridors. The Project DFS will detail a more definitive mining schedule, along with updated capital and operating costs when it is published.

Transport Infrastructure Update

Good progress is being made on the infrastructure options Ncondezi is considering for exporting its thermal coal products. The Mozambican parastatal authority, Portos e Caminhos de Ferro de Moçambique ("CFM"), expects to complete the refurbishment of the Sena railway line by November 2012 which will increase coal capacity to 6.5Mtpa. Further upgrades are planned and CFM is targeting a 20Mtpa rail capacity by 2017. Work has also begun on the Malawian portion of the Tete to Nacala railway line, with planned capacity of 18Mtpa to 30Mtpa, with first coal transported in 2015.

Updates on barging down the Zambezi River and the greenfield rail and port project (the "ITD Project"), which is being led by Rio Tinto, are expected during the second half of 2012. The Company's strategy continues to be focused on gaining access to one of the two existing rail corridors to the ports of Beira or Nacala to meet the first phase of production. Further ramp up in production will be in line with the commissioning of the ITD Project, following the Company's infrastructure agreement with Rio Tinto for capacity access.

Coal Marketing

Ncondezi commissioned a coal quality study by Wood Mackenzie, one of the world's leading research and consulting firms in the energy, metals and mining industries. The recently published report confirms the marketability of Ncondezi's thermal coal export products for Asian customers in the seaborne coal markets. The past two years has seen significant development of the export thermal market as China and India play an increasing role as importers.

Ncondezi is targeting production of two export thermal coal products that are ideally suited to these markets and which will be comparable to international benchmark thermal products, particularly Australia's Newcastle high ash export product and China's Shanxi blend.

	NCC 5,600	NCC 5,300	Newcastle High Ash	Shanxi Blend	Richards Bay	Newcastle
Country	Mozambique	Mozambique	Australia	China	South Africa	Australia
CV (NAR)	5,600	5,300	5,500	5,500	5,850-6,000	5,850-6,000
Ash %	21	24	24	11-25	12-15	11-17
Sulphur %	1	1	<1	<1	<1	<1
VM %	25	24	22-37	<40	22-37	22-37

Source: The Company, Public Information

The Thermal Power Plant DFS Update
The Power DFS, due for publication in the third quarter 2012, is examining the potential for a mine mouth coal fired power plant located on the Ncondezi Project site.

Ncondezi is targeting staged, modular development, with the first phase focussed on a 600MW power plant, built in 150MW to 300MW units and utilising conventional Circulating Fluidised Bed boiler technology, which would consume up to 2.4Mtpa of coal. Initial coal quality test work has confirmed the viability of using middlings and low volatile coal products as a fuel source. The first 300MW units would be operational in 2017, with construction commencing in 2015.

The Company will be seeking to partner with a power developer with the capacity to build and operate the power plant and the Company's Strategic Partner search has been broadened to incorporate the power component of the Project. There is significant interest in large scale power plant opportunities in Africa from power developers and manufacturers as regional power demand supports new generation capacity.

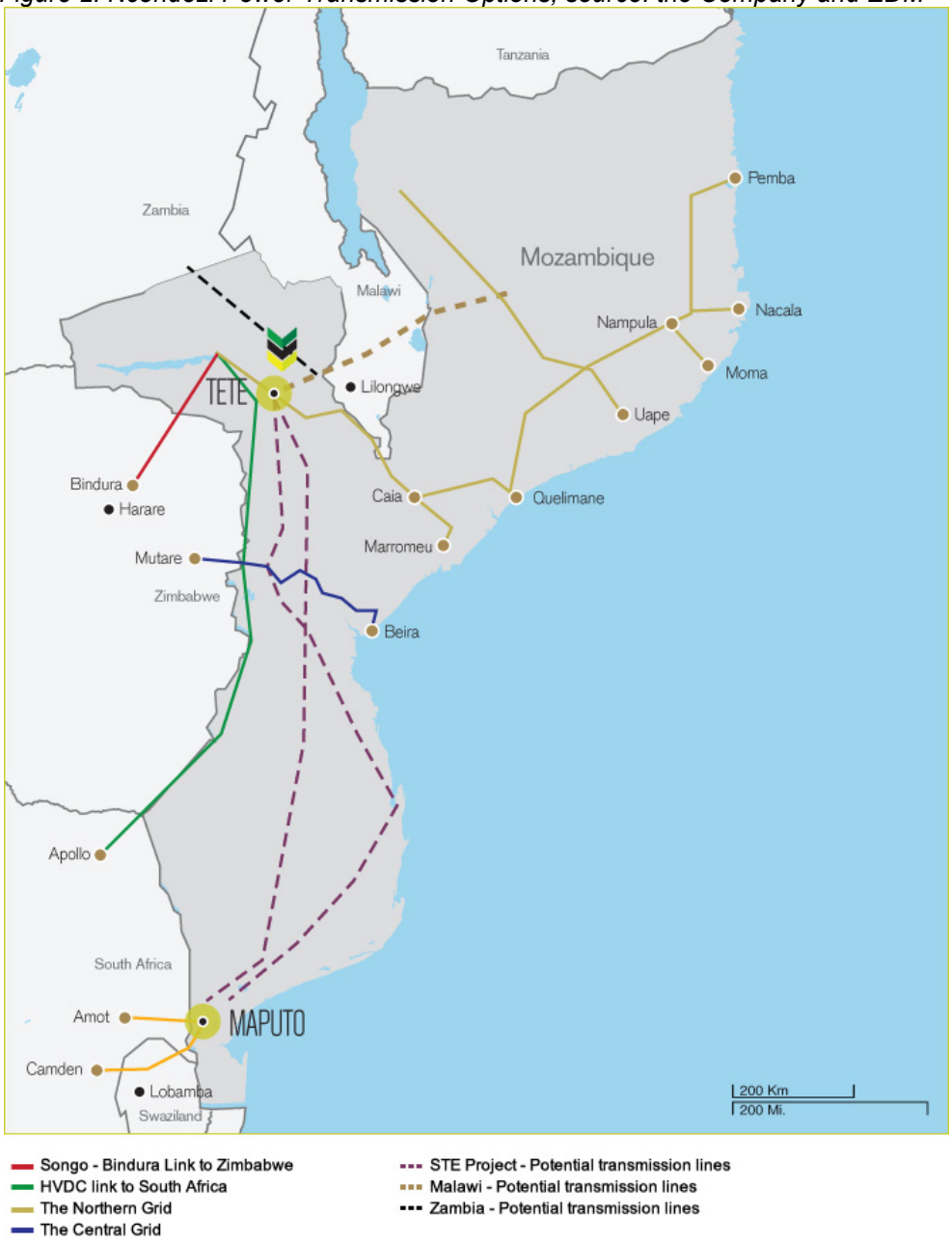
Work completed to date suggests that there is transmission capacity on the existing Mozambican network to support a 300MW to 600MW power plant. Alongside the Power DFS, and on the recommendation of Electricidade de Mozambique ("EDM"), the state owned utility, the Company has commissioned a Systems Optimisation Study to study four options for power evacuation and transmission and confirm the preferred power evacuation route. This study is due for completion in the third quarter 2012. Hydrological and geotechnical studies are also underway.

The power regulatory process has been initiated and initial discussions with the Mozambican Government indicate they are supportive of the initiative. Ncondezi's power plant project is aligned with the Mozambican Government's vision for further electrification of the country, the development of electricity generation and transmission infrastructure, and the export of power to the SADC region grids.

Southern African Power Demand
The southern African region has a power capacity shortage, with a current shortfall of 6,000MW and an additional 1,500MW required per annum each year over the next 20 years. Although South Africa has the largest generation demand growth with an additional 40,000MW required by 2025, Mozambique is becomingly an increasingly important power player in the region with peak demand growth of 15% in 2011 and 8% per annum expected going forward. Mozambique is also the largest exporter of power into South Africa, providing approximately 1,450MW via the HVDC transmission lines from the Cahora Bassa hydroelectric dam in the Tete Province.

Planned transmission expansion projects in Mozambique could provide additional capacity to be transmitted across Mozambique, South Africa and the wider SADC region. The most advanced project is the Regional Transmission Backbone project, (the "STE Project") which runs from Tete to Maputo and connects into South Africa with planned capacity up to 3,100MW. As such, the Company, with guidance from EDM, is studying the potential for up to a 1,800MW power plant, which could have a fuel requirement in excess of 7Mtpa of coal, and this is being included in the Project DFS as part of the mine ramp up.

Figure 2: Ncondezi Power Transmission Options, source: the Company and EDM



Coking Coal Update

The coking coal potential of the Project has now been further investigated. Post completion of the geological resource models during the first quarter of 2012, optimisation work was carried out on a 10.5% ash potential coking coal product. Although resource areas have been identified, they are not being included in the current mine plan. As a result, no further coking coal test work is planned.

Environmental and Social Studies

The Environmental and Social Impact Assessment ("ESIA") studies for both the Project DFS and the Power DFS are on track and are being completed to both Mozambican and World Bank standards. First drafts of the ESIA studies are expected in Q3 2012.

Corporate Update

The Company's Strategic Partner initiative is underway and will be broadened to incorporate the power component of the Project. The considerable early interest shown in the Strategic Partner initiative is highly encouraging. The Company's cash balance, as at 31 May 2012, was US$24 million.

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Glossary

Ash %	% ash in coal
CV (NAR)	Calorific value reported on a net as received basis
HVDC	High voltage direct current
Middlings	A coal product produced as a by-product of primary product production
MW	Million Watts
SADC	Southern African Development Community: an inter-governmental organisation focused on economic integration between its members. SADC members include: Angola, Botswana, Democratic Republic of Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe
Strip ratio	The ratio of waste tonnes to raw coal tonnes
Sulphur %	% sulphur content in coal
Thermal power station	Electricity generation facility that uses thermal coal as a fuel source
VM %	% volatile matter content in coal