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NEWS RELEASE

Ncondezi Project Update

15 December 2014: Ncondezi Energy Limited ("Ncondezi" or the “Company”) (AIM: NCCL) is pleased to provide shareholders with an update in relation to its 300MW power plant project (“Ncondezi Project” or the “Project”), located near Tete in northern Mozambique.

In September 2014 the Company announced that it had reached a conditional commercial deal with Electricidade de Mozambique (“EDM”) on the sale of electricity from the Ncondezi 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 starting tariff range is based on a number of assumptions including indexation, financing costs, coal costs, operator & maintenance costs and the technical parameters and capital costs contained in the binding Power Plant EPC bids. Based on a target project capital structure of 70% debt and 30% equity the Company believes that the conditional commercial deal supports the economics of the Ncondezi Power Plant and provides a regionally competitive US$ based project equity IRR. Based on the Board’s current expectations of the key project assumptions detailed above, the projected average annualised EBITDA from the Ncondezi Power Project is expected to be c.US$130 million per annum (nominal terms) and estimated net equity cash flows are expected to be in excess of US$2 billion (nominal terms) over the 25 year life of the power plant.

Ncondezi has been working to satisfy the conditions precedent and agree with EDM an indicative timetable to Financial Close, now targeted for Q1 2016. Notwithstanding the progress that has been made, the conditions precedent for the commercial deal will not be met prior to the end of 2014 and the Company intends to seek an extension from EDM to the period for satisfaction of the conditions precedent.

In October 2014, the Company announced that it had entered into a non-binding MOU with Shanghai Electric Power Company Limited (“SEP”), which may lead to SEP becoming a controlling shareholder in the Ncondezi Power Project and a minority shareholding in the Ncondezi Mine Project. SEP is a leading subsidiary of China Power Investment Corporation (“CPI”) which has total installed capacity of 90,000 MW and is one of the largest power companies in the Peoples’ Republic of China. A deal with SEP has the potential to provide the Company, and all stakeholders in the Ncondezi Project, with the opportunity to partner with a major power generation company and potentially fast track the timetable to Financial Close. SEP has undertaken a detailed due diligence process in relation to the Company that started in December 2013 and the Company continues to make good progress with SEP in relation to finalising their outstanding due diligence items. A binding agreement with SEP is now targeted for Q1 2015.

In October 2014, the Company received a number of binding bids for the engineering, procurement and construction (“EPC”) contract for the 92km transmission line and substations to connect the Ncondezi Project to the Mozambican Northern Grid. Ncondezi and its technical and commercial advisors are currently evaluating the bids. In addition, the Company recently completed and submitted its transmission Environmental and Social Impact Assessment (“ESIA”) study to the Mozambican Ministry for Coordination of Environmental Action (“MICOA”) for approval.

In November 2014, the Company received its land use agreement, or DUAT in Mozambique, from the Mozambican Government granting exclusive use for power plant operations. The DUAT covers an area of 9500 hectares.

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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.