

NEWS RELEASE

Proposed Investment in Ncondezi by Africa Finance Corporation

Introduction

15 December 2014: Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to announce that it has conditionally raised c. £3.18 million (US\$5 million), before expenses, by way of a conditional placing (the "Placing") of 54,988,520 new Ordinary Shares in the Company (the "Placing Shares") to Africa Finance Corporation ("AFC"). AFC is an African-led multilateral development financial institution which has significant experience of investing in African power and infrastructure projects. The Placing Shares will represent approximately 23.2% of the Company's enlarged issued share capital on completion of the Placing. The placing price is 5.78 pence ("Placing Price") per new Ordinary Share which is the 30 day volume-weighted average price of the Ordinary Shares as at the close of business on 12 December 2014.

Following completion of the Placing, Ncondezi intends to seek to raise up to a further c. £3.4 million (before expenses) by way of an Open Offer to shareholders (on the basis of 1 Open Offer Share for every 4 Existing Ordinary Shares) at the Placing Price to provide Qualifying non-CREST Shareholders and Qualifying Depository Interest Holders with an opportunity to acquire shares at the same price as AFC and to reduce the dilution as a result of the Placing to AFC. In the event that an Open Offer is made prior to 31 December 2014, AFC has undertaken not to take up its entitlement in the Open Offer to help achieve this. Subject to it not being in a close period, the Directors intend to make any Open Offer on or around 19 December 2014.

Background to the Placing

Over the last 12 months, the Company has made significant progress in relation to the on-going development of its 300MW integrated thermal coal mine and power plant project (the "Ncondezi Project") which is located near Tete in northern Mozambique. Further details are included in the separate Project Update Announcement dated 15 December 2014.

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. 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 memorandum of understanding 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.

The Company's strategic focus is to conclude a binding agreement with SEP or an alternative strategic investor acceptable to EDM and to satisfy the other conditions precedent of the EDM commercial deal.

The Company intends to use the net proceeds of the Placing to discharge certain near-term payment obligations in respect of the on-going development of the Ncondezi Project and to ensure that the Company is adequately funded into Q3 next year whilst it works to complete the strategic partner process, as well as to cover general working capital requirements and select development work streams. Any additional funds raised by way of the Open Offer will be used for general working capital requirements and certain additional development work streams.

Details of the Placing

Under the terms of the Placing, Ncondezi has conditionally placed up to 54,988,520 new Ordinary Shares to AFC at a price of 5.78 pence each representing approximately 23.2% of the Company's enlarged issued share capital on completion of the Placing. The gross proceeds of the Placing will be approximately £3.18 million (US\$5 million). The Placing will be conducted via a cash box placing.

A cash box placing is a mechanism whereby a company can raise new equity funds via an issue of shares for non-cash consideration (to which pre-emption rights do not apply) in circumstances where it does not have authority to issue such shares directly for cash (for which a disapplication of pre-emption rights is required). A cash box placing is not an issue for cash, but an issue of shares made in consideration for the transfer to the issuer of shares in a special purpose subsidiary company. The Board has determined to proceed with a cash box placing on the basis it is in the best interests of the Company and its shareholders. The Placing is not subject to shareholders' approval.

The Placing Shares will be issued credited as fully paid and will rank pari passu in all respects with the Company's existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after the date of issue. As a result of the Placing, the total issued share capital of the Company (but before the proposed Open Offer) for the purpose of calculating total voting rights will be 236,662,043 Ordinary Shares.

The Company will apply for admission ("Admission") of the Placing Shares to trading on the AIM market of London Stock Exchange plc ("AIM"). The Placing is conditional upon, inter alia, Admission occurring and prior to Admission there being no breach of any of the customary warranties which Ncondezi is giving AFC and no material adverse change having occurred. It is expected that Admission will become effective, and dealings for normal settlement in the Placing Shares will commence, at 8.00 a.m. on 18 December 2014.

Pursuant to the Placing, the Company has given AFC the right to appoint one director to the board of Ncondezi for so long as it holds 5% of the then issued share capital of the Company. At this time, no candidate has been proposed. Any AFC appointee will enter into an appointment letter and details of such appointment will be notified via RNS in accordance with the AIM Rules at the appropriate time. In addition, as AFC is a multilateral development financial institution, the Company has also given to AFC certain undertakings as to how the Ncondezi Project will be implemented including as to compliance with environmental standards, transparency and anti-bribery and corruption.

KPMG acted as financial advisor to Ncondezi on the transaction.

Commenting on the Placing, Paul Venter, Chief Executive Officer of Ncondezi said:

"We are delighted that Africa Finance Corporation has agreed to become a shareholder in Ncondezi. AFC have significant expertise of investing in African Power and Infrastructure Projects and we look forward to working with them to continue the development of the Ncondezi Project."

Andrew Alli, President & Chief Executive Officer AFC commenting on the ground breaking partnership said:

"AFC is delighted to provide not only access to finance, deal structuring and sector technical expertise, but also advisory services, project development capacity and funding to bridge the power infrastructure investment and access deficit, a critical pillar for economic growth across Africa".

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.

Africa Finance Corporation (AFC) is an African-led multilateral development financial institution, established in 2007, with a mission to improve African economies by proactively developing and financing infrastructure, industrial and financial assets. AFC is involved as an investor, developer and financier of various infrastructure projects, and is gaining recognition as the benchmark institution for financing the development of infrastructure projects in Africa. AFC's current authorized share capital is US\$2.0 billion with shareholders' funds of US\$1.28 billion and a 2014 funding program of US\$900 million. AFC is the second highest investment grade-rated multilateral financial institution on the African continent, with an A3 (long term) /P2 (short term) foreign currency debt rating by Moody's Investors Service.

AFC's projects include:

- Cenpower Generation Company Limited ("Cenpower") is a special purpose vehicle that is developing a 350MW, light crude oil and gas fired, combined cycle power plant in the municipality of Kpone within the Tema industrial zone, near Accra, Ghana (the "Kpone IPP"). The Kpone IPP is one of the largest infrastructure projects currently under development in Sub-Saharan Africa. A well-developed project with a very robust commercial structure, Kpone enjoys the strong support of the Ghanaian Government. The key commercial agreements, including the Power Purchase Agreement and the Government Consent and Support Agreement, have been approved by Cabinet and Parliament.
- AFC is the lead investor in the award winning Cabeolica project, a US\$90 million, 26MW landmark renewable energy wind power project in Cape Verde.
- AFC is the Technical Adviser to the Central Bank of Nigeria (CBN) on the CBN's US\$2.0 billion Power and Aviation Intervention Fund (PAIF).
- AFC is a partner with Vigeo Holdings Limited and Tata Power Delhi Distribution Limited for the acquisition of power distribution assets, and a lead financier in the acquisitions of the Kainji and Ughelli power generation plants in the current Nigerian Government power sector privatisation round.
- AFC launched a landmark US\$15 million project development facility with the Dutch Development Bank FMO in January 2013, to fund early-stage equity investments in projects under development pre-financial close, in the infrastructure sector across sub-Saharan Africa.
- The AFC has established partnerships with national, regional and international organizations and with sponsors that are active in the infrastructure space in Africa.