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Positive DFS Results and Robust Economics for Power Plant Project

Highlights

- Results of Power DFS completed by Parsons Brinckerhoff and independently reviewed by STEAG confirms economic and technical feasibility of an 1800MW mine mouth power plant at the Ncondezi Project in the Tete Province of Mozambique
- Power plant expected to be competitive with other potential Mozambican and southern African power suppliers
- Phase 1, 300MW to 600MW, to meet existing transmission capacity and targeting current power demand in northern Mozambique
- Mozambican energy consumption forecast to increase by 1200MW between 2012-2020 (Source: Transmission Grid Consulting)
- First commissioning targeted for 2017, 2 years after the Ncondezi Mine Project expected to start production, no technical impediment to bringing first commissioning forward
- Phased development of power plant in 300MW modules to coincide with development of Mozambican power demand as well as the STE Transmission Project and related SAPP access. Targeted expansion to 1800MW by 2023
- Power plant is expected to consume 1.2Mtpa per 300MW unit up to 7.2Mtpa for 1800MW of domestic grade coal from Ncondezi mine
- Initial 300MW power plant capital expenditure estimated at US$504 million with additional transmission capital expenditure of US$50 million
- Minimum Functional Specifications will now be distributed to selected EPCs for optimisation and detailed capital expenditure quotations
- Attractive standalone NPV of US$1.3 billion and 20% IRR for 1800MW power plant, based on conservative power tariff, capex and load factor assumptions, which importantly does not include the incremental value to mine of selling domestic grade coal
- Strong Mozambican Government support and first Ministry of Energy approvals granted
- Mine DFS remains on track for release in Q4 2012
- Initial feedback from Strategic Partner Process continues to be positive
- Ncondezi fully funded to complete Power & Mine DFS, ESIAs and related studies

13 September: Ncondezi Coal Company Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to announce positive results of the Power Definitive Feasibility Study ("Power DFS"), by Parsons Brinckerhoff ("PB"). The Power DFS confirms the economic and technical viability of an 1,800MW mine mouth thermal coal fired power plant, located in the Tete Province of Mozambique and consuming 7.2 million tonnes per annum ("Mtpa") of coal. The power plant is expected to be cost competitive with other sources of energy in the southern African region.

The power plant is expected to be built in phases of 300MW units, using domestic grade coal from the proposed Ncondezi mine (also under Definitive Feasibility Study), and is expected to be developed in partnership with a power plant developer and operator. The Company has already initiated a strategic partner search and the initial round of meetings with potential parties have been highly encouraging. Ncondezi expects the power project to be financed through a typical Independent Power Plant ("IPP") financing structure involving debt finance and joint venture partners with limited equity financing from Ncondezi. A power evacuation route has been identified and the first 300MW unit, phase 1A, which is targeting commissioning in 2017, will connect to existing transmission to meet current domestic Mozambican demand.

Ncondezi can confirm it has received the first necessary approval from the Ministry of Energy. This approval sets out the timeframe for conducting further studies which will be necessary in order for the power plant project to proceed along the path to full regulatory approval and in the lead up to the application for a concession which would be needed to implement the proposed power project.

Financial Highlights:

	Phase 1A: 300MW*	Phase 1B: 600MW*	Phase 2:1800MW**
Power Plant Capex Estimate***	US$504 million	US$1.10 billion	US$2.25 billion
Transmission Capex Estimate	US$50 million	-	US$247 million
Post tax Project NPV (10%) incl. transmission capex	US$159 million	US$317 million	US$1.33 billion

Note:
** Parsons Brinckerhoff and Ncondezi estimates to be confirmed by EPC proposals based on Minimum Functional Specifications*
*** Parsons Brinckerhoff DFS financial model*
**** Minimum Functional Specifications will be distributed to selected EPCs for more accurate quote*

The Mine DFS is due for publication in Q4 2012, along with the first drafts of the mine and power plant Environmental Social Impact Assessments ("ESIA").

Work streams to progress the power plant project towards a fully financeable project will now commence, these include the coal supply agreement, the offtake term sheet for Phase 1A, the power evacuation feasibility study, the selection of the engineering, procurement and construction ("EPC") firm and an Owners Engineer. Negotiations between Ncondezi and Electricidade de Mozambique ("EdM"), the state owned utility company, for the offtake of Phase 1A are expected to commence shortly.

Commenting on the announcement, Nigel Walls, Chief Executive Officer, said *"The results from the completed Power DFS are very positive, confirming the viability of building a large mine mouth power station and adding significant value to the overall Ncondezi Mining Project with the addition of another revenue stream.*

Ncondezi's large thermal coal resource is strategically located in an area that provides a competitive advantage in power in southern Africa, with existing and future infrastructure and established wheeling paths to meet strong domestic and regional power demand growth.

Our power plant is designed to be developed in phases to meet both existing transmission infrastructure and power demand in the north of Mozambique, as well as the future growth in transmission capacity and energy demand from the country as a whole and the broader Southern African Power Pool region, which has 16 member countries covering a total population of 230 million.

This project is closely aligned with the Government of Mozambique's strategy for electrification and we have been highly encouraged by their support, as evidenced by the receipt of the first authorisation required for the power project.

We are seeking to develop the power plant with an experienced power developer and a strategic partner search is currently underway. We have had an encouraging round of initial meetings which demonstrate the exciting growth potential of both Mozambique and sub-Saharan Africa power demand."

Power Plant Location
The proposed site for the power plant is approximately 5km to 7km from the planned coal processing facilities at the proposed Ncondezi mine and approximately 95km from existing power transmission infrastructure. The location will reduce the costs of coal transportation and is at a safe distance from the mining areas to minimise any impact of mine blasting operations.

Technology and Technical Information
Circulating Fluidised Bed ("CFB") technology has been selected as the Power DFS has indicated that it is better suited to the quality and composition of the domestic grade coal (compared to Pulverised Fuel technology), it has proven unit capacity, there are a number of units successfully operating worldwide, and it has low NOx and SOx emissions. The low emissions will ensure compliance with the Government of

Mozambique's requirements for air quality, as well as meet the World Bank and IFC's standards for emissions from coal fired power plants.

The size of each generating unit has been selected as 300MW as it offers the best efficiency capability of CFB technology, the best capital expenditure per kilowatt ("$/kW") option and the ability of the existing power grid to absorb and evacuate power.

Each 300MW power block will comprise a steam generator, using CFB technology, a steam turbine and generator, a wet type of cooling condenser system and electrostatic precipitators. The cooling system is proposed to include wet mechanical draft cooling towers, which will enable the units to operate at higher thermal efficiency. There appears to be sufficient cooling water available and a separate hydrological study, due for completion by the end of September 2012, will confirm this.

The plant is expected to operate at an 82% load factor and PB's financial analysis has been undertaken using this figure.

Construction and Timeline

The first 300MW phase of the power plant, Phase 1A, is targeting commissioning in 2017. Ncondezi plans to develop the power project in partnership with a power plant developer and operator.

Power Plant Minimum Functional Specifications have been prepared and will be distributed to selected engineering, procurement and construction ("EPC") firms for tender and to obtain more accurate capital expenditure projections. These are expected to be received during Q4 2012. Based on industry experience of Asian EPC contractors, a construction period of 24 to 30 months is expected by the Company.

The subsequent roll out of the 300MW units has been phased to meet the projected growth in both transmission capacity as well as power demand within Mozambique as well as the Southern African Power Pool ("SAPP").

Power Transmission and Evacuation

The power plant site is located approximately 95kms from EdM's Northern grid high voltage network. A system optimisation and power evacuation study has been completed and confirms there is both current transmission capacity and demand for the Phase 1A as well as forecast demand and transmission growth projects for the entire 1800MW.

Phase 1A is focused on meeting current domestic demand in the Northern grid. Of the first 300MW, 230MW is expected to be supplied to EdM via the construction of a new 400kV transmission line, at a cost of US$50 million. The remaining 70MW will be consumed by the power plant (30MW) and 40MW will be supplied to the mine down a 220kV transmission line.

The power evacuation feasibility study and accompanying Environmental Social Impact Assessment have commenced and the power evacuation aerial surveillance route has already been flown. These studies are due for completion in 2013.

Power Offtake

Term sheet negotiations for the Phase 1A offtake with EdM are expected to commence shortly and Ncondezi is targeting a competitive electricity tariff.

Power Project Aligned with Government Policy

Ncondezi's power plant project is closely aligned with the Mozambique Government's strategies of in-country beneficiation of its natural resources and electrification of the country. The government is committed to guiding the country down a path of sustainable development and maintaining its 7% GDP growth rate. This strategy is founded in further electrification of the country and the development of a regional electricity generation and transmission infrastructure. The country has already secured the backing of the World Bank and European Investment Bank to develop local power projects.

Phase 1A of the Ncondezi power plant will help meet current domestic demand in the Northern grid and future phases of the power plant plan to link into the proposed STE Transmission Project (formerly the

CESUL project), which will connect the power generating North with the electricity consuming South and increase the country's transmission capacity.

Mozambique is also the largest exporter of power to South Africa and has the opportunity to capitalise on this position to become an important regional energy player. It is envisaged that, at full capacity of 1800MW, the Ncondezi power plant can contribute to this ambition.

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Ncondezi Coal Company owns 100% of the Ncondezi Project. The Project is strategically located in the Tete Province, one of the world's largest undeveloped coal basins, and has a large JORC compliant coal resource of 4.7 billion tonnes. Ncondezi is targeting the phased development of an open pit mining operation, producing export thermal coal products and using domestic grade coals to feed a thermal power station located on site.

Parsons Brinckerhoff is a leading provider of engineering and project management services to the global power and energy markets. The firm offers skills and resources in strategic consulting, planning, engineering, program/construction management, and operations for transportation, power, mining, water/wastewater, and community development projects. Parsons Brinckerhoff is part of Balfour Beatty, an international infrastructure services business. www.pbworld.com

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