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NCONDEZI COAL COMPANY LTD

("Ncondezi" or the "Company")

Results of Phase I Power Generation and Gasification Studies

Ncondezi Coal Company Limited (AIM: NCCL), a coal exploration and development company with coal assets in the Tete Province in Mozambique, today announces the results of the Company's Phase I studies on the Ncondezi Project (licences 804L & 805L) potential coal feedstock for local power generation and coal gasification.

Highlights:

- Ncondezi's appointed technical consultant, Hugh Brown & Associates (Pty) Ltd ("HB&A"), has completed two order of magnitude studies on the suitability of Ncondezi Project middlings and low volatile coals, previously regarded as waste product, for use in local power generation and coal gasification;
- The studies demonstrate the potential technical and economic viability of producing power and syngas from these waste coal products;
- This has the potential to increase overall product yields on run of mine coal production and generate additional revenues at the Ncondezi Project;
- Preferred boiler technology for power generation identified;
- Two potential gasifier technologies identified; and
- Additional feasibility work, already budgeted for, is now being undertaken to further validate local power generation and coal gasification potential, with results expected in H1 2012.

Graham Mascall, CEO of Ncondezi Coal Company, commented:

"I am pleased to announce encouraging news regarding identification of a potential use for middlings and low volatile coals, previously regarded as waste, as feedstock for downstream power generation and gasification. On top of savings to the operating costs, initial results indicate the potential for significant additional revenue from the Company's Ncondezi Project. Although this is the first in a series of studies, we anticipate positive findings on the economics of local power generation and coal gasification. This is anticipated to service a

regional market that has already entered a period of power generation and fuel capacity shortfalls. In addition, further announcements regarding resource updates are expected in the next two weeks.”

Ncondezi Project Initial Resource Update

Coal deposits in Mozambique, require washing to produce prime (ie export) coal products. This process results in large quantities of middlings coal by-products with calorific values ranging between 17-20 Mj/kg, which are not suitable for export. This is expected to be the case at the Company's Ncondezi Project, currently the subject of a Definitive Feasibility Study, and is likely to produce a significant amount of middlings coal.

As mentioned in recent announcements, DFS drilling has identified quantities of low volatile coals at the Ncondezi Project, predominantly in the South Block. Identification of potential markets for these low volatile coals is continuing, however the Company is assessing its potential in export and local downstream markets. This comes at a time when the international sea-borne coal export market has seen a strong emergence of lower grade or "off-spec" coals exported during 2011, as modern boilers (built post 2000 mainly in the growing economies of Asia) burn a broader spectrum of coals and coal buyers take advantage of blending techniques to lower average input costs.

A scoping study completed on the Ncondezi Project in April 2010 was based on a single export thermal coal product and did not take into account potential revenues from middlings and low volatile coals. Recognising the potential use and application of these coals locally in Mozambique, the Company appointed HB&A in the second half of 2010 to conduct two order of magnitude Phase I studies to identify suitable technologies for the use of the Company's middling and low volatile coal products for local power generation and coal gasification.

Using low CV, low volatile coal samples (17Mj/kg, 7-10% vols) as a reference specification for both middlings and low volatile coals from the Ncondezi Project, the studies assessed the suitability of these coals with a number of proven power generation and gasification technologies. The results of the two studies demonstrated the suitability and potential economic viability of generating power and producing syngas from these coals.

Further updates on power generation and gasification applications are expected to be announced in H1 2012.

An announcement regarding resource upgrade for both high and low volatile coals following review of the results of the recent DFS drilling programme by the Company's consultants, The Mineral Corporation Consultancy (Pty) Ltd, is expected in the next two weeks.

Power Generation

For power generation, the Circulating Fluidized Bed ("CFB") boiler technology has been identified as the preferred technology. CFB boiler technology is a proven technology with a number of advantages over conventional boilers, including:

- Being able to burn coals with a wide range of properties and can cope with high ash (around 50%) and high sulphur coals (2-3%);
- Produce less sulphur oxide and sulphur dioxide emissions as sulphur from the coal is removed by the addition of limestone which acts as a sorbent. The sulphur becomes bound to the limestone enabling its removal and disposal;
- The lower combustion temperatures of CFB boilers result in lower emissions of nitrogen oxide; and
- Reduce the environmental impact of discard coal dumps.

CFB boiler technologies have also been selected as the preferred boiler technologies for Rio Tinto Group's +500MW Benga Power Plant Project in Tete, Mozambique, and Anglo American PLC's 450MW Khanyisa Power Project in South Africa.

A mine mouth power plant has good potential in a region where there is power shortage nationally and in neighbouring countries (Eskom, South Africa), as well as the ability to provide power to the Ncondezi Project mine. The Tete Province currently has 800MW of existing transmission evacuation capacity via existing transmission networks through to South Africa and Zimbabwe, and a recently announced north-south backbone transmission network (the CESUL Project) is planned to provide additional evacuate capacity.

The Company is now in the process of commissioning a (Phase II) PFS study on a power project that would use Ncondezi middlings and low volatile coals as a feedstock. The PFS study is targeted for completion in H1 2012

Coal Gasification

For coal gasification, the Phase I study identified two potential gasifier technologies suitable for Ncondezi Project middlings and low volatile coals in the production of syngas. These technologies were dry ash fixed bed gasifier and transport gasifier, which are both proven technologies.

Following the results of this study, at least two technology suppliers have expressed interest in undertaking additional "burn" tests of the Ncondezi middlings and low volatile coals to further validate their acceptability in gasifiers.

The Company is now in the process of supplying coal samples for the burn tests and the results will allow technology suppliers to confirm suitability and provide process guarantees.

This follows similar work being conducted by Vale S.A. at their Moatize Coal Project in Tete, Mozambique.

Enquiries:

Ncondezi Services (UK) Limited:

www.ncondezicoal.com

+44 (0) 20 7183 5402

Graham Mascal/Hanno Pengilly

Liberum Capital Limited:

Nominated Adviser and Broker

+44 (0) 20 3100 2000

Michael Rawlinson

Chris Bowman

Christopher Kololian

Pelham Bell Pottinger:

Lorna Spears

+44 (0) 20 7861 3232

Philippe Polman