

December 21, 2011

## **NCONDEZI COAL COMPANY LTD**

### **("Ncondezi" or the "Company")**

#### **Ncondezi Project South Block Resource Update**

Ncondezi Coal Company Limited (AIM: NCCL), a coal exploration and development company with coal assets in the Tete Province in Mozambique, announces the complete coal resource update on the Ncondezi Project's South Block as part of the Company's on-going work programme to complete a definitive feasibility study ("DFS") by Q3 2012 (the "DFS Work Programme").

#### **Highlights:**

- JORC resource update from the Company's independent geological consultants, The Mineral Corporation Consultancy (Pty) Ltd ("TMC"), following completion of geological modelling on all coal zones in the South Block
- Total JORC coal resource on the South Block revised to 848 million tonnes<sup>1</sup> from 849 million tonnes<sup>1</sup> as a consequence of additional coal resources being classified on South Block coal zones B, C and D, and adjustment for classification error in inferred resources of previously announced Coal Zone A
- Additional 251 million tonnes<sup>1</sup> of indicated coal resources have been classified since 12<sup>th</sup> December 2011 announcement
- Total updated JORC coal resource remains at 1.7 billion tonnes<sup>1</sup> for the North, Central and South blocks combined
- Revised South Block resource represents a 42% increase in coal resources compared to the maiden JORC coal resource classified on the South Block in February 2010
  - 41% increase in measured and indicated coal resources to 605 million tonnes<sup>1</sup>
- 810 million tonnes of the updated South Block coal resource estimate occur at depths of less than 250m below surface and are considered potentially mineable by open pit
- The South Block Coal zones are identified at surface and extend beyond 300m
- Further updated resource estimates are expected for all six coal blocks before the end of Q1 2012 and the update on coking coal potential remains on target for Q1 2012

---

<sup>1</sup> Resources are in-situ ("TTIS"). Geological losses and a 0.5m minimum seam thickness cut-off were applied.

**Graham Mascal, CEO of Ncondezi Coal Company, commented:**

*“We are pleased to note that further work on the South Block coal zone has increased the measured and indicated resources by 41% compared to February 2010. The progress made in the South Block coal zone is encouraging and the Company continues to target a significantly larger total Ncondezi Project resource than the maiden JORC resource of 1.8 billion tonnes announced in February 2010.”*

**Ncondezi Project South Block Resource Update**

The DFS drill programme, completed in September 2011, identified six discrete coal blocks within the Ncondezi Project area that contained coal at depths amenable to open pit mining. These blocks are identified as the North, South, Central, East, West and River blocks.

Following the provisional resource estimate announced on 12 December 2011, TMC have now completed geological modelling on all four coal zones identified in the South block and have provided a definitive updated JORC resource classification for the same.

The total tonnes in-situ updated JORC resource for the South Block is 848Mt<sup>2</sup> with 605Mt<sup>2</sup> classified in the indicated category and 243Mt<sup>2</sup> classified in the inferred category. This represents a 42% and 41% increase respectively on the total and measured and indicated resources originally classified on the South Block in February 2010.

To date, the total updated coal resource is 1.7Bt, which is inclusive of the South, North and Central blocks, but does not include additional resources still being classified on the East, West and River blocks. These initial resource updates indicate that the complete updated resource for the Ncondezi Project, following the analysis of all samples from the DFS drill programme, is likely to be significantly larger.

Below is a summary of the latest updated total coal resource for the Ncondezi Project:

---

<sup>2</sup> Resources are in-situ (“TTIS”). Geological losses and a 0.5m minimum seam thickness cut-off were applied.

IN SITU RESOURCES					IN SITU RAW COAL QUALITIES (adb)					
VOLATILE MATTER	CLASS	GTIS Mt	TTIS Mt	MTIS Mt	IM %	ASH %	VM %	FC %	CV MJ/kg	TS %
NORTH BLOCK - ZONES A & B										
HIGH	Indicated	148.8	133.9	125.0	1.4	58.9	17.1	22.5	11.78	0.84
	Inferred	217.9	185.3	141.0	1.4	63.4	16.3	18.9	9.98	0.76
	<b>Sub-total</b>	<b>366.7</b>	<b>319.2</b>	<b>265.9</b>						
LOW	Indicated	35.3	31.8	31.3	2.6	61.0	7.4	29.0	9.87	0.86
	Inferred	63.5	54.0	39.5	1.8	68.8	7.3	22.1	7.72	0.76
	<b>Sub-total</b>	<b>98.9</b>	<b>85.8</b>	<b>70.8</b>						
HIGH & LOW	Indicated	184.1	165.7	156.3	1.7	59.3	15.2	23.8	11.39	0.84
	Inferred	281.5	239.3	180.4	1.5	64.6	14.4	19.6	9.48	0.76
	<b>Totals</b>	<b>465.6</b>	<b>405.0</b>	<b>336.7</b>	<b>1.6</b>	<b>62.2</b>	<b>14.7</b>	<b>21.6</b>	<b>10.37</b>	<b>0.80</b>
SOUTH BLOCK - ZONES A, B, C & D										
HIGH	Indicated	269.7	242.7	237.5	1.4	50.9	18.4	29.3	14.61	1.19
	Inferred	135.5	115.2	98.8	1.3	52.7	17.7	28.3	13.85	1.12
	<b>Sub-total</b>	<b>405.2</b>	<b>357.9</b>	<b>336.3</b>						
LOW	Indicated	402.1	361.9	357.6	2.1	52.2	7.5	38.3	12.43	0.95
	Inferred	150.8	128.2	115.9	2.5	51.0	7.5	39.0	12.92	0.87
	<b>Sub-total</b>	<b>552.9</b>	<b>490.1</b>	<b>473.6</b>						
HIGH & LOW	Indicated	671.8	604.6	595.1	1.9	51.7	11.8	34.7	13.30	1.05
	Inferred	286.3	243.4	214.8	2.0	51.8	12.2	34.1	13.35	0.99
	<b>Totals</b>	<b>958.1</b>	<b>848.0</b>	<b>809.9</b>	<b>1.9</b>	<b>51.7</b>	<b>11.9</b>	<b>34.5</b>	<b>13.31</b>	<b>1.03</b>
CENTRAL BLOCK - ZONES A, B & C										
HIGH	Indicated	108.4	92.1	91.2	1.7	59.6	17.7	21.0	11.09	0.85
	Inferred	395.1	316.1	245.6	1.6	59.8	17.9	20.7	11.16	0.92
	<b>Totals</b>	<b>503.5</b>	<b>408.2</b>	<b>336.8</b>	<b>1.6</b>	<b>59.8</b>	<b>17.8</b>	<b>20.8</b>	<b>11.14</b>	<b>0.90</b>
TOTAL NORTH, SOUTH & CENTRAL BLOCKS										
HIGH & LOW	Indicated	964.3	862.4	842.6	1.8	54.0	13.1	31.2	12.71	0.99
	Inferred	962.9	798.7	640.8	1.7	58.5	15.0	24.9	11.42	0.90
	<b>Totals</b>	<b>1,927.2</b>	<b>1,661.2</b>	<b>1,483.4</b>	<b>1.8</b>	<b>55.9</b>	<b>13.9</b>	<b>28.5</b>	<b>12.15</b>	<b>0.95</b>

Notes to resource table:

- *GTIS = Gross Tonnes In-Situ coal resource tonnage (contained in the full seam thickness above the minimum thickness cut-off of 0.5m and relevant coal quality parameters)*
- *TTIS = Total Tonnes In-Situ coal resource (GTIS resources with geological loss factors applied)*
- *MTIS = Mineable Tonnes In-Situ coal resource tonnage (TTIS resources to a maximum depth of 250 metres)*
- *IM = Inherent Moisture*
- *VM = Volatile Matter*
- *FC = Fixed Carbon*
- *CV = Calorific Value*
- *TS = Total Sulphur*
- *Indicated resources are defined within areas where the spacing of boreholes with raw coal quality data is approximately 500 metres. Extrapolation of these areas is limited to approximately 250 metres*
- *Inferred resources are defined within areas where the spacing of boreholes with raw coal quality data is approximately 2,000 metres. Extrapolation of these areas is limited to approximately 1,000 metres*
- *All qualities are quoted on an air-dried-basis*
- *Yield figures are theoretical yields for +0.5mm material derived from slim core samples*
- *Certain amounts of dummy data are included in the quality database, particularly wash analyses of low-volatile coal samples; further analytical work is in progress and an update will be made in due course*
- *Ply thicknesses are weighted against coal seam area to obtain average resource thicknesses*
- *Ply RDs are weighted against coal volume to obtain average resource RDs*
- *Ply product yields are weighted against tonnage to obtain average yields*
- *Ply product qualities are weighted against wash yield and tonnage to obtain average resource qualities*
- *"Low Volatile" coals have been devolatilised by igneous intrusions. Studies by Ncondezi indicate that these coals may be economic*
- *GTIS represent the entire classified resource for the block, with application of a 0.5 metre minimum ply thickness cut-off, but no depth restriction*
- *North and South Blocks - TTIS were estimated from the GTIS tonnages by applying a Geological Loss of 10% to Indicated resources and 15% to Inferred resources*
- *Central Block - TTIS were estimated from the GTIS tonnage by applying a Geological Loss of 15% to Indicated resources and 20% to Inferred resources*
- *MTIS are TTIS resources to a depth limit of 250 metres*
- *North Block - As hydrological studies have not yet been completed, no allowance has been made for any possible sterilisation of resources which may occur within the historical flood lines of the Ncondezi River*
- *North Block - All Zone A resources occur to the South of the major fault*
- *North Block - All Zone B resources occur to the North of the major fault*
- *Central Block - Locally devolatilised or burnt coal associated with dykes has been excluded from resources*
- *Central Block - Coal occurs in Zones D, E & F, but the resources cannot be currently classified as laboratory results are pending*

The Company expects to make further resource updates for all six blocks during Q1 2012.

It should be noted that the provisional South Block resource estimate announced on 12 December 2011, reported incorrect inferred resources for coal Zone A, as coal resources classified in indicated resources were also erroneously double counted in the inferred category. TMC have since rectified the error in this announcement's updated South Block resource and confirmed that the problem is limited to the inferred resources in Zone A of the South Block and not any other part of the Ncondezi Project resources. The reduction in total resource for the South Block has been offset by the inclusion of coal resources from zones B, C and D with an increase in indicated coal resources of 251Mt<sup>3</sup> and a reduction in inferred coal resources of 252Mt<sup>3</sup>.

Below is a commentary from TMC regarding the resource update:

*"The Ncondezi South Block contains four main coal-bearing zones, named A to D from the base upwards. The zones, which comprise coal plies and argillaceous partings in varying proportions, may attain 80 metres in thickness and extend from surface to depths in excess of 300 metres. The basal Zone A is the most laterally extensive and usually contains the better quality coal.*

*A proportion of the coal resources have been heat-affected and are classed as "low volatile coals".*

*The Mineral Corporation has generated an updated resource estimate for the Ncondezi South Block which now includes resources contained in Coal Zones B, C and D which were previously excluded as geological modelling had not been completed.*

*Recent digital modelling of the B, C and D Zones has resulted in a re-correlation of Zone A in certain areas and hence a revision of the Zone A Coal Resource estimates. The methodology of resource classification is unchanged from that reported in the update release of 12 December 2011.*

*The updated coal resource estimates for the South Block are summarised below:*

---

<sup>3</sup> Resources are in-situ ("TTIS"). Geological losses and a 0.5m minimum seam thickness cut-off were applied.

Coal type	Zone	Category	GTIS Mt	TTIS Mt	MTIS Mt	Raw MTIS qualities (air-dried basis)						
						RD	IM %	AS %	VM %	FC %	CV MJ/kg	TS %
HIGH VOLATILE	D (11 plies)	Indicated	15.27	13.74	13.74	1.92	2.6	58.0	18.4	21.0	11.18	1.15
		Inferred	7.24	6.15	6.15	1.93	2.2	57.5	18.7	21.5	11.50	1.06
	C (6 plies)	Indicated	16.40	14.76	14.76	1.86	2.3	55.3	17.7	24.8	12.86	1.38
		Inferred	5.16	4.39	4.39	1.87	2.3	55.2	17.5	24.7	12.64	1.24
	B (16 plies)	Indicated	74.49	67.04	67.04	1.85	1.5	53.0	17.8	27.8	13.82	1.25
		Inferred	36.04	30.63	30.63	1.86	1.5	53.1	17.4	28.0	13.59	1.27
	A (24 plies)	Indicated	163.53	147.18	141.95	1.80	1.2	48.8	18.7	31.3	15.50	1.14
		Inferred	87.08	74.02	57.67	1.84	1.0	51.8	17.8	29.4	14.32	1.04
<b>Totals</b>	<b>Indicated</b>	<b>269.68</b>	<b>242.71</b>	<b>237.49</b>	<b>1.82</b>	<b>1.45</b>	<b>50.93</b>	<b>18.35</b>	<b>29.28</b>	<b>14.61</b>	<b>1.19</b>	
	<b>Inferred</b>	<b>135.52</b>	<b>115.19</b>	<b>98.85</b>	<b>1.85</b>	<b>1.30</b>	<b>52.72</b>	<b>17.74</b>	<b>28.30</b>	<b>13.85</b>	<b>1.12</b>	
LOW VOLATILE	C (6 plies)	Indicated	6.34	5.71	5.71	2.01	1.6	63.3	7.6	27.6	9.24	1.25
		Inferred	2.82	2.40	2.40	2.00	1.6	62.8	8.5	27.4	9.66	1.31
	B (16 plies)	Indicated	134.34	120.91	120.91	1.95	2.1	55.0	7.0	35.9	11.48	1.01
		Inferred	20.12	17.10	17.10	1.93	2.0	53.9	7.6	36.6	12.12	1.19
	A (24 plies)	Indicated	261.41	235.27	231.03	1.92	2.1	50.4	7.7	39.8	13.00	0.92
		Inferred	127.88	108.70	96.40	1.92	2.6	50.2	7.5	39.7	13.15	0.80
	<b>Totals</b>	<b>Indicated</b>	<b>402.10</b>	<b>361.89</b>	<b>357.65</b>	<b>1.93</b>	<b>2.12</b>	<b>52.17</b>	<b>7.46</b>	<b>38.27</b>	<b>12.43</b>	<b>0.95</b>
		<b>Inferred</b>	<b>150.82</b>	<b>128.20</b>	<b>115.91</b>	<b>1.92</b>	<b>2.52</b>	<b>50.97</b>	<b>7.54</b>	<b>39.03</b>	<b>12.92</b>	<b>0.87</b>
LOW & HIGH VOLATILE	A, B, C & D (104 plies)	Indicated	671.78	604.61	595.14	1.89	1.85	51.67	11.81	34.68	13.30	1.05
		Inferred	286.34	243.39	214.75	1.89	1.96	51.77	12.24	34.09	13.35	0.99

Notes to resource table:

- GTIS = Gross Tonnes In-Situ coal resource tonnage (contained in the full seam thickness above the minimum thickness cut-off of 0.5m and relevant coal quality parameters)
- TTIS = Total Tonnes In-Situ coal resource (GTIS resources with geological loss factors applied)

- *MTIS = Mineable Tonnes In-Situ coal resource tonnage (TTIS resources to a maximum depth of 250 metres)*
- *IM = Inherent Moisture*
- *VM = Volatile Matter*
- *FC = Fixed Carbon*
- *CV = Calorific Value*
- *TS = Total Sulphur*
- *Indicated resources are defined within areas where the spacing of boreholes with raw coal quality data is approximately 500 metres. Extrapolation of these areas is limited to approximately 250 metres*
- *Inferred resources are defined within areas where the spacing of boreholes with raw coal quality data is approximately 2,000 metres. Extrapolation of these areas is limited to approximately 1,000 metres*
- *All qualities are quoted on an air-dried-basis*
- *Yield figures are theoretical yields for +0.5mm material derived from slim core samples*
- *Certain amounts of dummy data are included in the quality database, particularly wash analyses of low-volatile coal samples; further analytical work is in progress and an update will be made in due course*
- *Ply thicknesses are weighted against coal seam area to obtain average resource thicknesses*
- *Ply RDs are weighted against coal volume to obtain average resource RDs*
- *Ply product yields are weighted against tonnage to obtain average yields*
- *Ply product qualities are weighted against wash yield and tonnage to obtain average resource qualities*
- *"Low Volatile" coals have been devolatilised by igneous intrusions. Studies by Ncondezi indicate that these coals may be economic*
- *GTIS represent the entire classified resource for the block, with application of a 0.5 metre minimum ply thickness cut-off, but no depth restriction*
- *South Blocks - TTIS were estimated from the GTIS tonnages by applying a Geological Loss of 10% to Indicated resources and 15% to Inferred resources*
- *MTIS are TTIS resources to a depth limit of 250 metres*

*It should be noted that, in the Ncondezi press release of 12 December 2011, the Coal Resource estimates for the South Block Zone A were erroneously tabulated by The Mineral Corporation, in that the Indicated Coal Resources were carried over into the Inferred category. However, the total combined TTIS Resource estimate of 1.7Mt for the North, South and Central Blocks, as stated in the previous resource update, remains unchanged.”*

### **Competent Person Statement**

Mr Mark Stewardson (Pr.Sci.Nat) of The Mineral Corporation Consultancy (Pty) Limited is registered as a professional geologist with South African Council for Natural Scientific Professions and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity undertake, to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

Mr. Stewardson supervised the preparation of the technical information in this update release and consents to the inclusion of exploration results and other such information in the form and context in which it appears.

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this update has been presented in accordance with the JORC Code and references to "Measured", "Indicated" and "Inferred Resources" are relevant to those terms as defined in the JORC Code.

**Enquiries:**

**Ncondezi Services (UK) Limited:**

[www.ncondezicoal.com](http://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

**Canaccord Genuity**

Joint Broker

+44 (0) 20 7050 6500

Robert Finlay

Rob Collins

Andrew Chubb

**Pelham Bell Pottinger:**

Lorna Spears

+44 (0) 20 7861 3232

Philippe Polman