



PRESS RELEASE

Institutions invest £7.5m as IPSA moves to ease energy crisis

February 16, 2007: AIM-quoted IPSA Group plc, set up to build and operate power stations in Southern Africa, has successfully raised £7.5 million ahead of planned investment to ease South Africa's worsening energy crisis.

The money has been raised as IPSA also announces today that it is inaugurating South Africa's first independently-owned power plant, at Newcastle, Kwazulu Natal.

The inauguration positions IPSA as the only independent operator in South Africa's previously state-run power sector, and flies in the face of remarks made this week by the chairman of South Africa's state generator Eskom, who bemoaned a "lack of entrepreneurship" and claimed the private sector was "not biting" at the opportunity to become involved.

IPSA Chief Executive Peter Earl said: "On the day when we have inaugurated South Africa's independent power project, I am thrilled that major South African and UK institutions have the confidence to invest in IPSA to accelerate the roll out of new generating capacity to meet South Africa's energy needs."

South Africa is struggling with a generating gap that has caused economic damage and led to extensive blackouts for more than a year. Large areas of Johannesburg were blacked out completely yesterday.

The funds from the new placing, 75% of which are provided by leading South African institutions, will strengthen IPSA's balance sheet while the company continues negotiations to acquire turbines for the first 500MW of generating capacity at the planned Coega Fast Track Project at Port Elizabeth on the south east coast. IPSA has delivered formal offers for the first electricity to be available from the first half of 2008.

Continues:



IPSA has attracted strong interest from South African investors since it added a dual listing on Johannesburg's junior AltX market last October. The shares are fully interchangeable between the two exchanges, and demand has led to a near doubling in the share price over the past month.

Institutions involved in the new placing, which was arranged by Hichens, Harrison & Co and Noble & Co, subscribed for 10 million new shares at 75p per share.

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Full Stock Exchange announcement attached as separate document

More information follows:



IPSA background

To-day IPSA opened South Africa's first privately financed independent power plant, which is also South Africa's first independent gas-fired power station. The Newcastle Cogeneration Power Plant was constructed within a period of fourteen months of the start of construction. It is a producer of both steam and electricity with a nominal power capacity of 18 MW and the capability to deliver just under 1 million tonnes of steam per annum. It operates as a combined cycle gas turbine (CCGT) plant, again the first in South Africa, using two Siemens Tornado gas turbines with two Aalborg steam boilers capturing the waste heat and turning the super-heated steam into additional electricity from a steam turbine.

The equipment for Newcastle was originally installed in a facility designed to supply a paper plant in Bury, East Lancashire in the United Kingdom. IPSA successfully acquired, dismantled and shipped it to South Africa and then constructed it in Newcastle. This complex process was supervised by IPSA's own project team and is its proposed model for future similar energy efficient power plants in South Africa.

Historically, electricity in South Africa has been produced in conventional coal-fired power stations. These typically have a 35 per cent thermal efficiency, which means that two thirds of the energy burned in those plants is wasted and vented back into the atmosphere as yet another contribution to global warming. IPSA's Newcastle plant operating as a CCGT has a thermal efficiency of nearly 56 per cent, which means that it produces around 40 per cent less CO₂ than a conventional coal-fired plant for every kilowatt hour of electricity it generates. This is one of the lowest emissions of CO₂ of any thermal power plant in South Africa. For this reason the management of IPSA believes that the Newcastle plant will be eligible for carbon credits under the United Nations Clean Development Mechanism under the Kyoto Protocol. An application is being made to the Republic of South Africa's Department of Minerals and Energy ("DME") for the Newcastle plant to be considered for carbon credits for the reduction of greenhouse gas emissions. In view of the high baseline for thermal power generation in South Africa from low efficiency coal-fired power plants which are heavy producers of CO₂, the directors of IPSA believe that Newcastle Cogeneration could qualify for a material level of Carbon Emission Reductions ("CERs") which would be an important source of revenue once the plant enters commercial production.

Since construction began at Newcastle, the management of IPSA has been in negotiations to increase steam sales on the Karbochem industrial site where the plant is based and for the sale of its electricity output to Eskom, the South African state-owned electric utility.

During 2006 IPSA was active in pursuing a number of other important potential development projects in South Africa. These include the Coega Fast Track Project just outside Port Elizabeth, the Elitheni Clean Coal Project near Indwe and the Prospecton Basin Project in Durban. Each of these projects is subject to the necessary regulatory approvals being granted and to financing being completed.



Coega is IPSA's largest development project to date. Originally planned as a CCGT project of 800 MW, it was increased in size at the request of the DME to become a project of 1,600 MW in two separate blocks of 800 MW each. IPSA has reserved both Siemens Westinghouse and Alstom gas turbines to form the open cycle components of the twin block project. Initially each block will operate using only the gas turbines with conversion to combined cycle, using the similar waste heat recovery systems as have been installed at Newcastle, taking place at a later stage. Open cycle gas turbines can be commissioned relatively quickly. IPSA expects to be able to bring its open cycle units on line at Coega within nine months of receiving planning consents and regulatory approvals, subject to the necessary environmental consents which are expected to take around six months to obtain and also subject to financing being completed. This fifteen month construction timetable is less than half the time that it takes to build a modern coal-fired plant.

IPSA intends that the full 1,600 MW Coega plant will eventually run on liquified natural gas (LNG) imported into what will be one of only two LNG receiving terminals currently planned for South Africa. In the short term, however, the initial 1,000 MW of open cycle capacity is expected to operate using liquid fuels.

Elitheni is another IPSA development project which is being accelerated to come on stream as soon as possible. This project is a 400 MW mine mouth coal-fired project using state of the art clean coal technology, one of the first such plants planned by the private sector for South Africa. The plant is to be built at Indwe, site of one of the earliest coal deposits brought into production in South Africa. Situated in the Eastern Cape north of both Port Elizabeth and East London, the coal reserve was worked in the first part of the twentieth century. IPSA has exclusive first rights to all coal from Elitheni that is used for electricity production and we are now carrying out the environmental impact assessment and engineering studies required to obtain regulatory approval for the plant.

The Group continues to be in discussions regarding a potential gas-fired CHP plant to be located in the Prospecton Basin near Durban and has received indications of interest from two parties.

Elsewhere in Africa, IPSA is pursuing potential power projects aimed to reduce environmental emissions which will in turn be eligible for carbon credits. These include the proposed 50 MW sugar bagasse-fired CHP plant at Simunye in Swaziland where IPSA is working with Royal Swazi Sugar and the Government of Swaziland. In Botswana, IPSA is working together with a company specialising in coal bed methane extraction on developing an electricity generation project using coal bed methane to drive small gas engines. Coal bed methane is a highly reactive greenhouse gas which, even more than carbon dioxide, has a damaging effect in global warming. Finally, IPSA is exploring power generation in Madagascar where the size of the country has led to the over-use of diesel generators which IPSA is looking to supplement or replace with more environmentally friendly generation capacity.



Southern Africa and South Africa in particular, need the rapid deployment of new power plants if economic development is not to be stifled. The Kyoto Protocol has resulted in a highly enlightened system for transferring resources from the industrialised world to boost investment in clean power solutions in the developing world. IPSA expects to be at the forefront of that process in Africa.

RNS ANNOUNCEMENT

IPSA Group plc (“IPSA” or the “Company”)

Issue of Equity

IPSA, the independent power plant developer with operations in southern Africa, which is quoted on AIM and has a secondary listing on ALTx, announces that it is raising £7,500,000 (approximately South African Rand (ZAR) 105,853,875), before expenses, by way of a placing for cash (the “Placing”) of 10,000,000 new ordinary shares (the “Placing Shares”) of 2 pence each.

The proceeds of the Placing will strengthen the Company’s balance sheet whilst it is in negotiations to acquire a number of turbines as part of the equipment required for the first 500MW of generating capacity due to be installed for the Coega Fast Track Project. The funds will also assist in meeting the Company’s working capital requirements over the coming year.

The Placing, to new and existing shareholders in South Africa and the United Kingdom, is at a price of 75 pence per ordinary share, which is at a discount of 11.8 per cent to the mid market closing price on 14 February 2007. The Placing Shares will represent 13.14 per cent of the enlarged issued share capital. The Placing Shares will be allotted out of the Company's existing share allotment authorities and will be admitted to trading on both AIM and ALTx (“Admission”). The Placing is conditional on Admission and the receipt of exchange control approval by the South African Reserve Bank.

Following the Placing, IPSA will have 76,129,469 fully paid shares in issue trading on both AIM and ALTx. ALTx is the alternative exchange of the JSE Limited in South Africa. The new ordinary shares will rank pari passu in all respects with existing ordinary shares.

Stephen Hargrave, chairman of IPSA, said:

“We are delighted in this vote of confidence from investors in the UK and South Africa, and are particularly pleased to welcome further significant investment from leading South African institutions.”

Peter Earl, CEO of the Company, said: “We are very pleased to be deepening our relationship with key institutions in both South Africa and UK as the Company looks to develop its pipeline of projects in South Africa.

This Placing also puts the Company in a strong negotiating position as we seek to finalise the acquisition of turbines and full financing of the Coega Fast Track Project.”

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