Ncondezi Energy Limited

Annual Report and Financial Statements

for the year ended 31 December 2015

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Our Vision

Ncondezi Energy is an emerging power development company with an integrated thermal coal mine and power plant project located near Tete in northern Mozambique (the "Ncondezi Coal Mine" and "Power Project" respectively). Ncondezi is aiming to develop the projects in phases, subject to additional financing, with the first phase targeting 300MW and ultimately scalable to 1,800MW.

Visit www.ncondezienergy.com for updates and additional information on the Company and its activities.

Highlights

- Binding Joint Development Agreement ("JDA") with Shanghai Electric Power Co., Ltd ("SEP") (Shanghai Stock Exchange code 600021) signed in January 2016 to develop the Power Project and transmission line
- Completion of the transmission line Environmental Social Impact Assessment ("ESIA")
- Completion of water optimisation study
- US$1.32 million raised via loan facility from certain of Ncondezi's Directors, Management and long term shareholders in May 2016
- US$1.18 million raised via an Open Offer following the placing to AFC in January 2015
- Christiaan Schutte appointed Chief Operating Officer in February 2015
- Aman Sachdeva appointed Non-Executive Director in May 2015 as AFC's nominated Director
- On 21 May 2015, Paul Venter resigned as a Director and Chief Executive Officer
- On 28 September 2015, Peter O'Connor resigned as a Non-Executive Director
- Cash balance as at 6 June 2016 of US$0.3 million with undrawn loan facility of US$0.7 million

Dear Shareholder,

The 2015 financial year saw the Company make significant progress in its stated strategy to finalise the development pathway for the Ncondezi Power Project.

The work carried out by the Company during the financial year culminated in the signing of the binding Joint Development Agreement ("JDA") in January 2016 with Shanghai Electric Power Company Ltd ("SEP"), a subsidiary of State Power Investment Corporation ("SPIC") which is one of the largest power generation groups in China with a total group installed capacity of over 100,000 MW.

The JDA with SEP was the result of nearly two years of due diligence, relationship building and negotiations. In SEP, the Company has identified a partner with expertise in owning, constructing and operating coal fired power stations, and the recent in principle approval from Electricity de Mozambique ("EDM") for SEP to become the strategic partner for the Power Project reflects this.

Crucially, the JDA provides substantial financial and operational clarity on how the Power Project will be financed, built and operated fundamentally de-risking the project. Once the JDA has been made effective, SEP will provide up to US$25.5m towards development costs against an agreed milestone based work program together with 60% of the equity and 100% of the debt at financial close. SEP will also take the lead on the engineering, procurement and construction ("EPC") and operations and maintenance ("O&M") work streams leveraging SEPs expertise in coal fired power generation to change the boiler to Pulverised Coal ("PC") boiler technology. The change in boiler technology is expected to have both operational and environmental benefits.

Ncondezi continues to make good progress with SEP and significant progress has been achieved since the signing of the JDA in January 2016. In particular:

- EDM has indicated its in principle support for SEP to become the Strategic Partner in the Ncondezi Power Project and for the change PC boiler technology , on the understanding that EDM will be afforded the opportunity to perform due diligence on SEP's development plan, technical solution, project costs and financial model as soon as such information is available.
- A milestone driven work program and budget for the Power Plant development has been agreed between Ncondezi and SEP
- The audit of Ncondezi's historic power plant development costs by SEP is progressing well. The historic expenditure has been reviewed and agreed and both parties are awaiting the incorporation of UAE Co so that the final audit report can be completed.
- Ncondezi and SEP are finalising the key terms of the shareholders agreement that will govern the UAE holding company
- Ncondezi is in the process of a group restructuring and the incorporation of a UAE holding company structure. This process is being led by Ncondezi and the target for completion is the end of July 2016.
- SEP's parent company SPIC has independently reviewed and approved the revised PC Boiler Feasibility Study.

The Company continues to target completion of the JDA conditions precedent during Q3 and will provide further updates as appropriate.

During 2015, the Company secured an extension from EDM in relation to the conditional commercial deal for the sale of electricity from the Power Project. The conditional commercial deal expired on 31 December 2015 and at this stage a further extension has not been requested. Signing the JDA with SEP represented one of the critical conditions precedent to the commercial deal and negotiations with EDM and the Mozambican Ministry of Mineral Resources and Energy ("MIREME") are expected to progress once the JDA has been made effective, with SEP joining the negotiating table as Ncondezi's strategic partner. The two key commercial agreements under negotiation, the Power Purchase Agreement ("PPA") and Power Concession Agreement ("PCA"), are both in draft form following negotiations between EDM, the MIREME and Ncondezi.

The Ncondezi Coal Mine development programme is being run in parallel with the Power Project, and will accelerate during the 2016 financial year with the objective of ensuring that financial close is achieved consecutively on both projects.

Other key work streams completed in the 2015 financial year include the completion of the transmission line ESIA and the water optimisation study.

On 11 May 2016, the Company announced that it had raised an additional US$1.32 million through a loan facility provided by certain of Ncondezi's Directors, Management and long term shareholders. The loan ensures the Company is funded until the end of Q3 2016. Further funding will be required to cover certain corporate and mine development costs that will not be funded by SEP or in the event that completion of the SEP JDA is further delayed.

The Company implemented significant cost savings during 2015 including the closure of the London Service office and a significant reduction in the number of employees outside of Mozambique. This resulted in administrative expenses falling from US$5.6m in 2014 to US$2.7m in 2015. The full impact of these costs savings initiatives will only be felt in 2016.

The Directors are exploring a number of funding solutions and expect to be in a strong position to raise additional capital once the SEP JDA is effective. The Directors believe that once the SEP JDA is effective the necessary funds to provide adequate financing to continue both the power plant and mine development programmes and fund working capital will be raised in due cause as required. Accordingly they are confident that the Group will continue as a going concern and have prepared the financial statements on that basis. However it is important to highlight that there are no binding agreements in place and there can be no certainty that additional funding will be raised.

2015 continued the trend of extremely challenging coal and equity market conditions for natural resources companies. Despite this, Ncondezi achieved a number of its goals in securing the future of the Power Project and its benefits to Ncondezi shareholders and all stakeholders. The platform has now been set for these goals to be fully realised with SEP joining as the Company's operational and financing partner in 2016.

Michael Haworth
Non-Executive Chairman

Ncondezi is focused on the phased development of an integrated thermal coal fired power plant and mine, commencing with 300MW as Phase 1. The Ncondezi Project is located near Tete in Northern Mozambique.

Binding JDA with SEP

On 11 January 2016, the Company announced that it had signed the JDA with SEP. The JDA is a binding agreement between Ncondezi and SEP and sets out the terms on which the Power Project will be developed. The Ncondezi Coal Mine will continue to be wholly owned by Ncondezi and will be developed and financed separately. It is envisaged that an arms length Coal Supply Agreement will be entered into between the relevant entities.

SEP will fund up to US$25.5 million ("Subscription Price") into a newly incorporated holding company that will own Ncondezi Power Company S.A ("NPC"), a subsidiary that will own and operate the Power Project, and which will be used to fund all development costs of the Power Project (inclusive of transmission and project infrastructure) to Financial Close.

The Subscription Price will be paid in instalments as per a milestone based budget and work program that has been agreed between the Parties for the period from 1 January 2016 until Financial Close. The first instalment will be funded once the JDA is effective, at which point Ncondezi will also be refunded for certain agreed project costs incurred from 1 January 2016. The JDA becomes effective once all of the SEP Investment Conditions (as defined below) have been satisfied, at which point SEP will be issued with an indirect 60% interest in NPC.

The SEP Subscription Price is based on 1.5 times Ncondezi's historic Power Project costs of US$17 million and is capped at US$25.5 million. The Subscription Price will be inclusive of SEP's historic costs of RMB 8 Million (c. US$1.25 million). SEP are in the process of finalising the audit of Ncondezi's historic power project costs of US$17 million with the key outstanding items being the incorporation of UAE Co and completion of the agreed restructuring process.

It is anticipated that the Subscription Price will be sufficient to fund the development costs to Financial Close of the Power Project. Any additional costs are expected to be funded on a pro-rata basis by the Company and SEP respectively. Once the JDA has become effective, SEP will provide a bank guarantee for US$10 million in favour of the Company against the instalment payments of the Subscription Price.

If on Financial Close the Subscription Price is not fully utilised, any balance will be used to fund the first project equity beyond Financial Close.

SEP will have effective control of the Power Project following satisfaction or waiver of the SEP Investment Conditions. The parties are finalising the shareholders agreement which will contain appropriate corporate governance and minority protections.

SEP will lead the procurement of the EPC agreements, the O&M agreements and the debt financing to achieve Financial Close and SEP has undertaken to use reasonable endeavours to procure the best possible commercial terms from Chinese financiers for the proposed debt financing facilities for the Power Project on a non-recourse basis to Ncondezi

Based on SEP's expertise and experience in coal fired power generation, the power plant will change from CFB to PC technology based on an updated feasibility study prepared by SEP. The PC technology feasibility study demonstrates comparable economic returns to the CFB solution and supports the existing tariff envelope agreed with EDM (the "Commercial Deal").

The transaction is targeting the satisfaction or waiver of a number of conditions including:

- Formal approval by EDM of the change to PC technology and confirmation of the existing Commercial Deal
- Completion of the independent audit of the Ncondezi historical Power Project costs
- Finalisation of the work program and budget to Financial Close
- Finalisation of the relevant transaction documents including the Shareholders' Agreement

- SEP obtaining the required Chinese regulatory and parent company approvals
- No material adverse change having occurred to the Project

Ncondezi continues to make good progress with SEP and significant progress has been achieved since the signing of the JDA in January. In particular:

- EDM has indicated its in principle support for SEP to become the Strategic Partner in the Ncondezi Power Project and for the change to PC boiler technology, on the understanding that EDM will be afforded the opportunity to perform due diligence on SEP's development plan, technical solution, project costs and financial model as soon as such information is available.
- A milestone driven work program and budget for the Power Plant development has been agreed between Ncondezi and SEP
- The audit of Ncondezi's historic power plant development costs is progressing well. The historic expenditure has been reviewed and agreed and both parties are awaiting the incorporation of UAE Co so that the final review can be completed.
- Ncondezi and SEP are finalising the key terms of the shareholders agreement that will govern the UAE holding company.
- Ncondezi is in the process of a group restructuring and the incorporation of a UAE holding company structure
- SEP's parent company SPIC has independently reviewed and approved the revised PC Boiler Feasibility Study.

The Company continues to target completion of the JDA conditions precedent during Q3 2016 and will provide further updates as appropriate.

Background information regarding SEP
SEP is incorporated in the People's Republic of China and listed on the Shanghai Stock Exchange with the majority of its shares held by State Power Investment Corporation ("SPIC"). SPIC is one of the largest power generation groups in China with an installed capacity of over 100,000 MW. SEP has experience of owning, constructing and operating coal fired power stations and has a stated strategy of international growth.

Shareholder Loan
On 11 May 2016, the Company announced that it had secured a US$1.32 million loan facility ("Shareholder Loan") with certain of Ncondezi's Directors, Management and long term shareholders (together the "Lenders"). The Shareholder Loan is being made to provide the Company with additional funding for its corporate overheads while it completes the JDA investment conditions to make the agreement effective.

Of the US$1.32 million Shareholder Loan, US$500,000 is being provided by a Trust of which Non-Executive Chairman, Michael Haworth, is a potential beneficiary. US$108,000 is being provided by Executive Director and Chief Operations Officer, Chris Schutte, $35,000 from Non-Executive Director, Estevão Pale, and US$147,000 from Ncondezi management. The Shareholder Loan has a maturity of 12 months and, based upon management's latest cash flow forecasts, is expected to provide sufficient funding until the end of Q3 2016.

Once the JDA has been made effective, repayment of the Shareholder Loan will be on the earlier of either 12 months from the date of the Shareholder Loan agreement or 5 days from the date of the receipt of the SEP Refund. The total amount drawn down prior to the SEP JDA effectiveness will attract a 1.5x multiple (comprising 1.0x principal and 0.5x return). If the JDA has not been made effective within 6 months of the date of the Shareholder Loan agreement, then the drawn down portion of the Shareholder Loan becomes immediately repayable at a 1.5x multiple.

In addition, the Lenders have the right to appoint an additional Board member to the Ncondezi Board. A further announcement will be made in due course as and when the Lender's director is nominated and appointed.

The Shareholder Loan is subject to customary termination rights and events of default, including if the project is abandoned which, if triggered, will make the drawn down portion of the Shareholder Loan immediately repayable at a 1.5x multiple. Lenders also have the option to request security over the assets and loans of the Company.

As at 6 June 2016, US$650,000 had been drawn down under the loan facility and US$670,000 remained available and undrawn.

Commercial Deal with EDM

During 2015, the Company secured an extension from EDM in relation to the conditional commercial deal for the sale of electricity from the Power Project. The conditional commercial deal expired on 31 December 2015 and at this stage a further extension has not been requested.

Signing the JDA with SEP represented one of the critical conditions precedent in the commercial deal and negotiations with EDM and the Mozambican Ministry of Mineral Resources and Energy (“MIREME”) are expected to progress once the JDA has been made effective, with SEP joining the negotiating table as Ncondezi’s strategic partner.

Power Plant EPC

Following signing of the JDA with SEP, the boiler technology has been changed from circulating fluidized bed (“CFB”) to PC technology. SEP and the Company are working on the revised EPC process which will be based on the updated PC Feasibility Study and where possible will leverage the work previously completed by Ncondezi.

Power Plant Permitting

The change to PC technology includes proposals for a flue gas desulphurisation system which will result in the Power Project producing less emissions (both in relation to solid particles and sulphur oxides) than the original CFB proposal. This has resulted in the change to PC technology requiring a review and resubmission of the ESIA study previously submitted and approved by the Mozambican Government.

Commercial Agreements and Financial Close

Progress on the key commercial agreements, namely the PPA and PCA, has been on hold whilst the Company finalised its negotiations with SEP as the strategic partner on the Power Project. The Company expects to re-engage with EDM and MIREME once the JDA with SEP has been made effective.

The current timetable under discussion with SEP is targeting Power Project Financial Close by the end of H1 2017. Ncondezi will provide further guidance once the timetable has been finalised.

Coal Mine Update

The Ncondezi Coal Mine will be required to sign a bankable coal supply agreement with the Power Project before financial close targeted at the end of H1 2017. The change to PC technology requires that a higher CV coal product be supplied by the mine, which requires an update to the EPC and contract miner bids to account for the additional washing and change in mine planning. Preliminary work has already been completed, and the Company expects to finalise EPC and contract miner bids in Q4 2016. The coal supply agreement is expected to be further progressed in parallel during this time.

Transmission Line ESIA

During March 2015, the Company received official notification from the Ministry of Land, Environment and Rural Development (“MITADER”) regarding the approval of the ESIA for the 92km transmission line that will connect the Project to the Mozambican national grid. This follows ESIA approvals that have already been granted on both the mine and power plant.

Water Optimisation and ESIA

During the period, the Company received the final water optimisation study with cost estimates which are currently being reviewed by the Company.

Results from operations

The Group made a loss after tax for the year of US$2.1m compared to a loss of US$37.7m for the previous financial year. The basic loss per share for the year was 0.8 cents (2014: 20.5 cents).

Administrative expenses totalled US$2.1m (2014: US$37.6m). This included a share based payments charge of US$0.04m (2014: US$0.2m). No impairment charge was recorded in 2015 (2014: US$31.8m).The administrative expenses include a US$0.65 million credit in respect of the release of an accrual as detailed in note 10.

Financial Position

The Group's statement of financial position at 31 December 2015 and comparatives at 31 December 2014 are summarised below:

	2015	2014
	US$'000	US$'000
Non-current assets	**18,249**	17,464
Current assets	**514**	4,831
Total assets	**18,763**	22,295
Current liabilities	**555**	3,079
Total liabilities	**555**	3,079
Net assets	**18,208**	19,216

The movement in non-current assets of US$0.8m was largely due to additions of US$1.0m arising on the continued development of Ncondezi Power Project, reduced by a depreciation charge for the year of US$0.2m.

Cash Flows

The net cash outflow from operating activities for the year was US$4.5m (2014: US$4.3m).

Net cash used in investing activities was US$0.7m (2014: US$2.7m), mainly related to development activities incurred on the Ncondezi Project.

Net cash from financing activities was US$1.1m (2014: US$4.7m) mainly related to share issues.

The resulting year end cash and cash equivalents held totalled US$0.4m (2014: US$4.5m).

Outlook

The Directors have reviewed future cash forecasts, with particular reference to minimum expenditure requirements on the licences and the intended work programme for the Power Project and Ncondezi Coal Mine for 2016, which is focused on satisfying the conditions precedent to the JDA with SEP. Based upon projections the current cash reserves together with the undrawn loan facility will fund overhead expenditure to the end of Q3 2016.

The Directors continue to explore options in respect of raising further funds to continue with the power plant and mine development programmes. Future Power Project development costs will be covered by SEP once the JDA has been made effective. At present there are no binding agreements in place and there can be no certainty as to the Group's ability to raise additional funding.

The Directors believe that the necessary funds to provide adequate financing to continue the power plant and mine development programmes and fund working capital will be raised as required. Accordingly they are confident that the Group will continue as a going concern and have prepared the financial statements on that basis. Further disclosures on going concern are included in note 1.

Overall Project Resources (February 2013 - reviewed by Mineral Corp in May 2015)

					MTIS Qualities (air-dried basis)													
					Raw							17MJ/kg CV Primary Product						
Coal type	Resource Category	GTIS Mt	TTIS Mt	MTIS Mt	RD	IM %	AS %	VM %	FC %	CV MJ/kg	TS %	Yield %	IM %	AS %	VM %	FC %	CV MJ/kg	TS %
High Volatile	Indicated	867.0	772.8	742.5	1.85	1.4	53.5	18.1	27.0	13.83	1.01	71.3	1.4	44.4	20.5	33.7	17.61	1.09
	Inferred	3,605.2	3,035.8	2,367.4	1.94	1.9	57.7	18.6	21.9	11.79	1.00	62.6	2.0	44.7	22.2	31.1	17.07	1.13
Low-mid Volatile	Indicated	819.5	737.6	723.9	1.91	1.9	51.8	7.5	38.7	12.73	0.88	71.7	1.9	42.6	9.1	46.4	17.29	1.01
	Inferred	264.8	225.1	172.8	1.92	1.8	52.1	7.6	38.5	12.78	0.83	70.8	1.8	42.5	9.0	46.7	17.41	0.98
Sub-totals/Averages	***Indicated***	***1,686.5***	***1,510.4***	***1,466.4***	***1.88***	***1.7***	***52.7***	***12.9***	***32.8***	***13.29***	***0.94***	***71.5***	***1.6***	***43.5***	***14.9***	***40.0***	***17.45***	***1.05***
	Inferred	***3,870.0***	***3,260.9***	***2,540.1***	***1.94***	***1.9***	***57.4***	***17.8***	***23.0***	***11.86***	***0.99***	***63.2***	***1.9***	***44.6***	***21.2***	***32.3***	***17.09***	***1.12***
Total	***Ind & Inf***	***5,556.6***	***4,771.3***	***4,006.5***	***1.92***	***1.8***	***55.6***	***16.0***	***26.6***	***12.38***	***0.97***	***66.2***	***1.8***	***44.1***	***18.7***	***35.4***	***17.24***	***1.09***

Notes:
Indicated resources were defined within areas where the spacing of boreholes with raw coal quality data is approximately 500 metres. Extrapolation of these areas was limited to approximately 250 metres.
Inferred resources were defined within areas where the spacing of boreholes with raw coal quality data is approximately 2 000 metres. Extrapolation of these areas was limited to approximately 1 000 metres.
Mt (million tonnes).
GTIS (Gross Tonnage in situ) figures represent the entire classified resource for the block, below the observed limit of weathering, with application of a 0.5 metre minimum ply thickness cut-off, but no depth restriction (in the Central Block, classified resources reach approximately 400m depth; in the North Block 600m; in the South and West Blocks 300m, in the East Block 330m and in the River Block 500m).
TTIS (Total Tonnes in situ) figures for high and low volatile coals were calculated from the GTIS tonnage by applying Geological Losses. The losses applied were generally 10% for Indicated resources and 15% for Inferred resources. In the Central Block, these were increased to 15% and 20% respectively.
MTIS (Mineable Tonnes in situ) figures represent that part of the TTIS which exists above a depth of 250m.
All qualities are quoted on an air-dried-basis. IM=Inherent Moisture, AS=Ash Yield, VM=Volatile Matter Content, FC=Fixed Carbon, CV=Calorific Value, TS=Total Sulphur.
Product yields are theoretical yields for +0.5mm material derived from slim core samples.
The coal volatile category was determined using raw coal volatile contents on a dry, ash-free basis and adjustment factors related to the raw ash yield of the coal.
Low-mid volatile coals have been devolatilised by igneous intrusions. A Pre-feasibility study by Hugh Brown and Associates indicates that these are suitable for power generation.
Low volatile coals are not common in the Central, West and River Blocks and have been excluded from resources in those blocks.
The Central, North, South and East Block models comprise detailed ply models suitable for mine planning purposes. The West and River Block models utilise a cumulative coal thickness methodology that is appropriate only to the classification of Inferred Resources.
No allowance has been made for potential sterilisation of resources below the limits of the Ncondezi or Revuboe Rivers' flood lines. This could affect resources in the Central, North, West and River Blocks.

South Block Measured Resource (November 2013 - reviewed by Mineral Corp in May 2015)

(The Measured Resources are a subset of the Indicated and Inferred Resources reported in February 2013)

Ply Grouping	Volatile category	GTIS Mt	TTIS/ MTIS Mt	TTIS/MTIS Qualities (air-dried basis)													
				Raw							16.12MJ/kg CV Product (theoretical)						
				RD	IM %	AS %	VM %	FC %	CV MJ/kg	TS %	Yield %	IM %	AS %	VM %	FC %	CV MJ/kg	TS %
Sub-total plies A18-A48	Low-mid	52.90	48.93	1.85	1.2	50.4	9.3	39.1	13.26	1.15	78.7	2.0	43.0	10.1	44.9	16.72	0.99
	High	39.04	36.11	1.72	0.9	45.8	19.9	33.4	17.17	1.22	92.9	1.3	44.5	20.2	34.1	17.52	1.09
Sub-total plies A02-A16	Low-mid	26.66	24.66	1.98	1.1	62.1	8.8	27.9	8.81	0.77	48.4	1.8	44.9	10.2	43.0	16.18	0.84
	High	10.86	10.05	1.90	0.7	59.3	15.5	24.5	11.14	0.91	56.3	1.0	47.3	18.1	33.6	16.32	0.92
Total All plies	**Low-mid**	**79.55**	**73.59**	**1.89**	**1.1**	**54.3**	**9.2**	**35.4**	**11.77**	**1.03**	**68.5**	**2.0**	**43.5**	**10.1**	**44.4**	**16.59**	**0.96**
	High	**49.90**	**46.16**	**1.76**	**0.9**	**48.7**	**18.9**	**31.5**	**15.86**	**1.16**	**84.9**	**1.2**	**44.9**	**19.9**	**34.0**	**17.35**	**1.07**
Overall averages & tonnages:		***129.45***	***119.74***	***1.84***	***1.0***	***52.2***	***12.9***	***33.9***	***13.35***	***1.08***	***74.8***	***1.6***	***44.1***	***14.4***	***39.9***	***16.92***	***1.01***

Notes:
Measured Resources were defined within an area where the spacing of boreholes with raw coal quality data is approximately 250m. Extrapolation of this area was limited to 125 metres beyond the outermost qualifying boreholes.
Mt (million tonnes).
GTIS (gross tonnage in situ) figures represent the entire Measured Resource below the observed limit of weathering and with application of a 0.5m minimum ply thickness cut-off.
TTIS (total tonnage in situ) figures were calculated from the GTIS tonnage by applying Geological Losses of 7.5%.
MTIS (mineable tonnage in situ) figures represent that part of the TTIS which exists above a depth of 250m. As all the Measured Resource is shallower than 120m, the TTIS in this case equals the MTIS.
A raw ash yield limit of 70% was generally applied at the time of ply definition and correlation.
All qualities are quoted on an air-dried-basis. IM=Inherent Moisture, AS=Ash Yield, VM=Volatile Matter Content, FC=Fixed Carbon, CV=Calorific Value, TS=Total Sulphur.
Product yields are theoretical yields for +0.5mm material derived from slim core samples.
Ply thicknesses were weighted against TTIS/MTIS coal seam area to obtain average resource ply thicknesses.
Relative Densities (RD) were weighted against TTIS/MTIS coal volume to obtain average resource RDs.
Raw qualities and product yields were weighted against TTIS/MTIS tonnage to obtain average yields.
The 16.12MJ/kg CV target product specification was provided by Ncondezi.
Product qualities were weighted against wash yield and TTIS/MTIS tonnage to obtain average product qualities.
Low-mid volatile coals have been devolatilised by igneous intrusions. A Pre-feasibility study by Hugh Brown and Associates indicates that these are suitable for power generation.
The coal volatile category was determined using raw coal volatile contents on a dry, ash-free basis and adjustment factors related to the raw ash yield of the coal.
Certain amounts of averaged 'control' data were included in the quality database, where adequate analytical data did not exist in pre-2013 boreholes.
Based on the relative distribution of coal plies, partings and dolerite sills, and the coal ply qualities, the mining package will likely generally comprise plies A18 to A44, with plies A46 and A48 taken at the top where possible. Sub-totals have therefore been supplied for ply groupings A02-A16 and A18-A48.

Competent Person's statement

The information in this Annual Report that relates to coal resources has been reviewed by and is based on information compiled by Mark C Stewardson and Gavin Andrews of Mineral Corporation Consultancy (Pty) Limited. Both Mr Stewardson and Mr Andrews are Competent Persons who are registered as Professional Natural Scientists in the field of Geological Science with the South African Council for Natural Scientific Professions, a Recognised Professional Organisation included in a list that is posted on the ASX website from time to time. Neither Mineral Corporation Consultancy (Pty) Limited nor any of its Directors, staff or sub-consultants who contributed to this resource estimation has any material interest in Ncondezi or in the assets under consideration.

Both Mr Stewardson and Mr Andrews have sufficient experience that is relevant to the type of coal deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the 2013 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Stewardson and Mr Andrews consent to the inclusion in this Annual Report of the information based on their work in the form and context in which it appears.

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 release has been presented in accordance with the JORC Code and references to "Measured" Resources are relevant to that term as defined in the JORC Code.

A Competent Person's Consent Form from 18 May 2015 relating to this report is held on record by Ncondezi. There were no changes to the coal resources since 18 May 2015.

The Project Resource report was compiled in accordance with the 2004 version of the JORC Code and the Measured Resource report was compiled in accordance with the 2013 version of the JORC Code.

The references for the supporting reports to the resource estimations are:

- The Mineral Corporation, February 2013: Coal Resource Estimates for Licences 804L and 805L, Tete Province, Mozambique; and
- The Mineral Corporation, November 2013: Measured Coal Resource Estimate for South Block, Ncondezi Project, Tete Province, Mozambique.

Ncondezi Social Development Programme

During 2015 Ncondezi completed its formalised CSR policy which consisted of a three year Social Development Programme ("SDP") with the Government of Mozambique. The SDP was implemented as a public-private partnership between the Company, the local communities in the Moatize District and the Government. Since the programme started a number of important initiatives were completed:

- The drilling of 14 boreholes in several villages within the Tete province.
- Four students completed their Master's degree in Mining Engineering at Coimbra University benefiting from a full bursary from Ncondezi.
- A 4x4 ambulance was purchased to assist villagers in remoter areas.
- Ncondezi built a new primary school at Waenera village.
- Upgrading of the Mameme clinic and the construction of a new maternity wing.
- An Agricultural Project based on conservation Farming. This included the villages of Catabua and Canjedza as an initial model. The objective being a platform to educate the local communities in all aspects of Crop Husbandry using their own resources.

Ncondezi concentrated most of its SDP resources during 2015 on the Agricultural Project. The initial area of 10 hectares opened up in 2013 has been increased to just under 20 hectares and the program has enjoyed increased participation and interest from the local communities as a result of the benefits reaped by the existing participants.

Ncondezi's long term objective is to establish similar agricultural projects at each village. To this end Ncondezi is encouraging each village to form an association with the assistance of the Moatize Administration (Agricultural department). This will give the local communities more autonomy whereby they are also able to get additional funding/materials from local Government or NGO's. Ncondezi will then gradually withdraw from the successful locations and concentrate on setting up new projects elsewhere in the project area.

The Ncondezi Agricultural Project received positive publicity through the Moatize District Agricultural Department which was highlighted with a number of mini field days including the visit by all the Provincial Agricultural Directors of Mozambique as well as the National Deputy Minister of Agriculture. There is a planned visit by The Minister of Agriculture during 2016.

Michael Haworth / Non-Executive Chairman
Michael Haworth has over 20 years finance experience, predominantly in emerging markets and natural resources. Mr Haworth co-founded Greenstone Resources a private equity fund specialising in the mining and metals sector in 2013 and is a Senior Partner of Greenstone Capital LLP and a Director of Greenstone Management Limited. In addition, Mr Haworth is a Non-Executive Director of Zanaga Iron Ore Company Limited and a Director of Strata Limited ("Strata"). Prior to establishing Strata in 2006, Mr Haworth was a Managing Director at J.P. Morgan and Head of Mining and Metals Corporate Finance in London.

Christiaan Schutte / Chief Operating Officer (appointed in February 2015)
Christiaan Schutte's career in the power sector spans over 20 years during which time he held a number of senior management positions at Eskom, the South African electricity public utility which is the largest producer of electricity in Africa.

Most recently he was Senior General Manager of the Group Technology Division and responsible for all the engineering functions at Eskom, including design accountability for new power stations, transmission lines and distribution development. Prior to this he was Senior General Manager of the Generation Division, managing five power stations with over 18,000MW total installed capacity, an operational budget of 3.8 billion Rand and a capital budget just under 4 billion Rand. Operational experience was gained at Majuba power station, which he also integrated into a single cluster operation, and Kendal power station. He holds a degree in mechanical engineering as well as an MBL from Unisa.

Estevão Pale / Independent Non-Executive Director
Estevão Pale has more than 30 years' experience in the mining industry. He is the Chief Executive Officer of Companhia Moçambicana de Hidrocarbonetos S.A., a Mozambican natural gas company. Between 1996 and 2005, Mr Pale was the National Director of Mines in the Ministry of Mineral Resources and Energy, where he was responsible for the supervision and control of mineral activities in Mozambique and the formulation and implementation of the mining and geological policy approved by the Government of Mozambique.

Mr Pale has been a director of numerous companies in the mining sector including Promaco SARL and the Mining Development Company, as well as the General Director and Chief Executive of Minas Gerais de Moçambique. Mr Pale has a postgraduate diploma in Mining Engineering from the Camborne School of Mines in Cornwall and a masters degree in Financial Economics from the University of London (SOAS). He completed a course in Gas Business Management in Boston at the Institute of Human Resources Development Corporation in 2006.

Jacek Glowacki / Non-Executive Director
Jacek Glowacki has over 30 years of international experience in the power sector and is currently Chief Executive Officer and Chairman of the Board of Polenergia Group, a Polish Independent Power Producer and a subsidiary of Kulczyk Investments S.A. one of Poland's largest private investment companies.

During his career, he has held senior executive positions at Kulczyk Investments, AEI Corporation (USA), Trakya Elektrik (Turkey) and Prisma Energy Europe. Mr Glowacki's operating experience includes General Manager of Nowa Sarzyna, which was owned by ENRON and Chief Production Engineer at Cracow Combined Heat and Power Plant, owned by EDF. He holds a degree in engineering from the University of Mining and Metallurgy in Cracow and an MBA from the University of Chicago.

Aman Sachdeva / Non-Executive Director (appointed in May 2015)
Aman Sachdeva is the AFC nominated Director and was appointed to the Ncondezi Board on 21 May 2015. Mr Sachdeva has more than 20 years experience in the infrastructure industry, specializing in the energy sector; ranging from project finance, management consulting, regulatory affairs, mergers and acquisitions, power system planning, energy conservation and marketing. Mr Sachdeva is currently the founder and Chief Executive Officer of Synergy Consulting, an independent consulting practice with a focus on project finance, which has to date closed projects worth US$12 billion. Mr Sachdeva is also an advisor to the World Bank, Energy Sector for Central Asia, South Asia and Africa on a variety of projects.

Peter O'Connor / Independent Non-Executive Director (resigned in September 2015)
Mr O'Connor has over 20 years' experience in the power sector, working for Eskom, the South African electricity public utility which is the largest producer of electricity in Africa, an importer of electricity from Mozambique and is among the top seven utilities in the world in terms of generation capacity and among the top nine in terms of sales.

Most recently Mr O'Connor was Senior General Manager of the Capital Expansion Division, which was responsible for the EPCM of all the company's generation and transmission expansion projects, as well as the construction of a 1,050MW gas power station, which was built in record time. Prior to this, he held senior management positions in the Generation Division, where he successfully increased plant availability from 78% to 93% and at the Transmission Division, where he was responsible for the network delivery, network expansion and system operations. He gained operational experience as the manager of Kriel, Arnot and Kendal power stations. He holds a degree in mechanical engineering and is a patent lawyer.

Paul Venter / Chief Executive Officer (resigned in May 2015)
Paul Venter was appointed CEO in February 2013. He joined the Company as Chief Operating Officer in June 2012 and was responsible for delivering the Company's power strategy. Mr Venter has over 40 years' experience across Africa, Mongolia, China and Russia in the mining, power generation and transport industries and served for the full year ended 31 December 2014. Mr Venter resigned as a Director and CEO on 21 May 2015.

The Directors present their Annual Report and the audited group financial statements headed by Ncondezi Energy Limited for the year ended 31 December 2015.

Principal activities
The principal activity of the Group is the development of an integrated 300MW power plant and mine to produce and supply electricity to the Mozambican domestic market.

Business review and future developments
Details of the Group's business and expected future developments are set out in the Chairman's Statement on pages 2 to 3, the Operations Review on pages 4 to 6 and in the Financial Review on page 7.

Principal risks and uncertainties
The Group operates in an uncertain environment that may result in increased risk, cost pressures and schedule delays. The key risk factors that face the Group and their mitigation are set out on pages 16 to 20.

Additionally, the Group's multi-national operations expose it to a variety of financial risks such as market risk, foreign currency exchange rates and interest rates, liquidity risk, and credit risk. These are considered further in note 15.

Key performance indicators
The key performance indicators of the Group are as follows:

	2015	2014	2013
Mine exploration expenditure (US$'000)	21	580	2,095
Power development expenditure (US$'000)	939	3,848	2,109
Metres drilled Ncondezi Project	-	-	9,723
Share price at 31 December (pence)	3.6p	5.5p	6.12p
Cash at bank at 31 December (US$'000)	402	4,515	6,756

Results and dividends
The results of the Group for the year ended 31 December 2015 are set out on page 29.

The Directors do not recommend payment of a dividend for the year (2014: nil). The loss will be transferred to reserves.

Events after the reporting date
See note 18 for further information.

Financial instruments
Details of the use of financial instruments by the Company, its subsidiary undertakings and financial risk management are contained in note 15 of the financial statements.

Going concern
As at 6 June 2016 the Group had cash reserves of approximately US$0.3m. The current cash reserves and undrawn loan facility of US$670,000 are sufficient to fund ongoing costs until the end of Q3 2016. Details on going concern are contained in note 1 of the financial statements.

Directors and Directors' interests

Director	Note	Appointment date	Resignation date	Ordinary Shares held 31 December 2015	Ordinary Shares held 31 December 2014
Michael Haworth	1	01.06.12		16,438,296	12,726,743
Jacek Glowacki	2	28.10.13		-	-
Peter O'Connor	3	04.02.13	28.09.15	-	-
Estevão Pale		03.06.10		-	-
Christiaan Schutte		04.02.13		-	-
Paul Venter	4	26.04.13	21.05.15	-	-
Aman Sachdeva	5	21.05.15		-	-

1. Includes shares held by a trust of which Michael Haworth is a potential beneficiary.
2. Jacek Glowacki is a director of Polenergia Group, a subsidiary of Kulczyk Investments S.A. which holds 29,111,719 ordinary shares representing 11.7% of the issued Ordinary Shares as at 31 May 2016.
3. Peter O'Connor resigned on 28 September 2015.
4. Paul Venter resigned on 21 May 2015.
5. Aman Sachdeva is AFC's nominated director. AFC holds 54,988,520 ordinary shares representing 22.0% of the issued Ordinary Shares as at 31 December 2015.

Annual General Meeting
Resolutions will be proposed at the forthcoming Annual General Meeting, as set out in the Formal Notice. In accordance with the Company's Articles of Association one third of the Directors are required to retire by rotation. Accordingly, Estevão Pale and Jacek Glowacki will offer themselves for re-election at the forthcoming Annual General Meeting of the Company.

Corporate Governance
The Company's compliance with the principles of corporate governance is explained in the corporate governance statement on pages 21 to 23.

Ordinary Share Capital
The Company's Ordinary Shares of no par value represent 100% of its total share capital. At a meeting of the Company every member present in person or by proxy shall have one vote for every Ordinary Share of which he is the holder. Holders of Ordinary Shares are entitled to receive dividends.

On a winding-up or other return of capital, holders are entitled to share in any surplus assets pro rata to the amount paid up on their Ordinary Shares. The shares are not redeemable at the option of either the Company or the holder. There are no restrictions on the transfer of shares.

Disclosure of information to auditors
So far as each Director at the date of approval of this report is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors
BDO LLP have expressed their willingness to continue in office as auditors, and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board

Elysium Fund Management Limited
Company Secretary
29 June 2016

Risk Factors

Risk(s)	Potential Impact(s)	Mitigation Measure(s)
Off-taker risk	In the event that the Group is unable to renew the commercial deal with EDM or finalise the PPA on acceptable terms, the Group will need to secure an alternative credible power off-taker(s) to raise finance for the power plant project. There is no guarantee that, in such circumstances, the Group will be able to secure a credit worthy off-taker for the full output with the plant operating at load factors in excess of 80 per cent.	EDM has provided in principle support for SEP to become the Strategic Partner, a key conditions precedent of the conditional commercial deal with EDM that expired on 31 December 2015. EDM has indicated its willingness to continue negotiations once the JDA with SEP has been made effective. The Company has substantially advanced the PPA and PCA through previous negotiations with EDM and Ministry of Mineral Resources and Energy. There is a shortage of power in the region, with Mozambique currently exporting power to South Africa, Zimbabwe, Zambia, Botswana and Namibia. Each of these countries could provide a potential credible power offtaker for the Power Project either as a substitute or as additional power offtaker for an expanded power plant. The Company monitors this potential closely and has responded to a Request for Information ('RFI') from the South African government regarding potential cross border power supply.
Financing risk	The Group has limited financial resources that are only expect to last until the end of Q3 2016. The Group will need to secure project financing, investment from strategic investors and/or investment from co-developers to complete the Ncondezi Project. Failure to do so may lead to the Group not being a going concern (see note 1) and failure of the Ncondezi Project and/or delay in its execution. To achieve Financial Close of the Ncondezi Project, the Group will also need to progress, and possibly conclude, some of its on-going negotiations on key project agreements, including the PCA and the PPA. Failure or delay in doing so may lead to failure of the Ncondezi Project and/or delay in its execution.	Ncondezi has signed a JDA with SEP which, once effective, will provide up to US$25.5m of development funding for the Power Project to Financial Close. SEP will also take the lead in securing debt financing for the Power Project. EDM has given its in principle support for SEP to become Ncondezi's strategic partner for the Power Project, a key condition precedent of the Commercial Deal with EDM to progress negotiations on the PPA and PCA. Ncondezi expects that progress will continue on the PPA and PCA once the JDA has been made effective. The Company intends to engage with a range of potential financing partners with the objective of securing additional development capital for the costs that will not be covered by SEP under the JDA, including select corporate overheads and the Mine development costs. The Directors' will monitor the monthly cash burn rate to ensure the Group operates within its cash resources for as long as possible.
Competition from other power stations in Mozambique	Other power stations are being developed in the Tete region and are competing for offtake to EDM as well as resources such as water and transmission line servitudes.	EDM has given its in principle support for SEP to become Ncondezi's strategic partner for the Power Project, a key condition precedent of the Commercial Deal with EDM to progress negotiations on the PPA and PCA. Ncondezi expects that progress will continue on the PPA and PCA once the JDA has been made effective.

		Being a thermal coal power station project, the Group can implement commissioning of the power plant faster than competing hydroelectric projects which typically take 2-3 years longer to commission.
Performance risk	The power plant may be unable to perform as per the EPC proposal, which may lead to a delay.	As the power plant project progresses, performance warranties and guarantees will be required from the EPC contractor as part of the EPC contract, including liquidated damages for non-performance. The Minimum Functional Specification will define the operating characteristics, including the net capacity and operational criteria such as start-up response times, dynamic response, and minimum load etc.
River water resource risk	The Revúbuè and Ncondezi Rivers are seasonal, should there be insufficient water at the confluence (water extraction point), the power plant operation will fail.	Detailed water investigations are being performed to ascertain the quantity of water available to the Ncondezi Project (power plant and mine) and the required extraction rates. Investigations into the possibility of obtaining water from the Zambezi River as a more reliable source of water will be performed, should inadequate quantities be identified from the Revúbuè and Ncondezi Rivers.
Project development risks	There can be no assurance that the Group will be able to manage effectively the expansion of its operations or that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations, including the Ncondezi Project. This includes, inter alia, the Group managing the acquisition of required land tenure, infrastructure development, contracting, procurement, technology, financing and any issues affecting local and indigenous populations, their cultures and religions. Any failure of the Board to manage effectively the Group's growth and development could have a material adverse effect on the Ncondezi Project economics and the Group's business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Group's current strategy will develop as anticipated and that the Ncondezi Project will be realised or that the Group will be profitable.	The Group believes that it can mitigate a significant part of any development risks of the Power Project through the implementation of the JDA with SEP. SEP has a track record of managing the development of similar power projects, and will lead the procurement of the EPC agreements and the O&M agreements for the Power Project. The Group and SEP will look to jointly appoint an owners engineer with the appropriate experience and track record to manage the development phase of the Power Plants in southern Africa. The Group is working closely with select mining contractors in relation to the mine development.
Use of PC Boiler Technology	PC technology has not been used in Mozambique as there are currently no coal fired power plants. Although PC is proven technology, its application in Mozambique is new. Consequences may include not meeting expected performance in terms of plant output, efficiency and emission limits. Operator and maintenance issues may arise if the Group is not familiar with this	SEP has significant experience in using PC Boiler technology at its existing power plants. Rigorously review the plant performance in the country of origin as well as in other countries where this technology is in use. Visit and discuss with power project sponsors/users of identical installation outside Mozambique to benefit from their experience.

	technology. This may have an impact on plant reliability and availability.	Actively participate in erection and commissioning activities during project execution. Embed in the EPC contractor's organisation the Group's own personnel during all phases of the project execution. Subject the power plant to rigorous pre-commissioning and commissioning tests as well as performance guarantee tests on completion.
Power plant location geotechnical risks	Improper geotechnical investigation may lead to increase in construction cost.	An initial geotechnical study was completed late in H2 2012 on the proposed power plant site. No fatal flaws were identified. Further work will be completed to reaffirm the geotechnical study results ahead of any major construction.
Utilities availability and transportation (water, limestone, coal, accessibility, heavy loads transportation)	The cost of the infrastructure related to plant resources may increase if a proper assessment is not done.	Detailed utilities studies and surveys of the area and location to determine logistics associated with the supply of utilities have been completed and confirm there are no major impediments.
Mining	Delays in the construction and commissioning of the mining project.	As the mine project progresses, performance warranties and guarantees will be required from the mine contractor as part of the mine EPC contract, including liquidated damages for non-performance.
Estimating mineral reserve and resource	The estimation of mineral reserves and mineral resources is a subjective process and the accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions used and judgements made in interpreting engineering and geological information. There is significant uncertainty in any reserve or resource estimate and the actual deposits encountered and the economic viability of mining a deposit may differ materially from the Group's estimates. The exploration of mineral rights is speculative in nature and is frequently unsuccessful. The Group may therefore be	Resources • Sign-off of resources by registered Competent Person ("CP"). • Reporting resources in accordance with the JORC code • Classification of resources into a high level of confidence category • Conduct detailed geological modelling • The utilisation of accredited laboratories for the analyses of coal samples • QA/QC procedures according to best practices

	unable to successfully discover and/or exploit reserves.	Reserves • Sign-off of reserves by registered CP • Classification of reserves into proven or probable reserves Detailed mine design and scheduling.
Coal risk	Coal specification developed at the pre-feasibility study and verified during the feasibility stage may not be representative of coal to be used in the plant. Not properly characterised coal resources may lead to incorrect boiler design and plant underperformance.	Further coal quality analysis will be conducted and supplied to the boiler supplier for finalisation of boiler design.
Transmission grid constraints	Available transmission capacity is allocated to other power generators.	A Transmission Agreement Heads of Terms has been signed with EDM and the Mozambican Government to ensure that available transmission infrastructure allocation is secured early and that proper evacuation infrastructure and capacities are available to the Power Project in line with the Group's strategy. The Group will explore and develop all potential future transmission options including new transmission capacity in Mozambique as well as other countries including Malawi and Zambia.
Environmental and other regulatory requirements	Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Group, the extent of which cannot be predicted. Before exploration and production can commence on any properties, the Group must obtain regulatory approval and there is no assurance that such approvals will be obtained. No assurance can be given that new rules and regulations will not be enacted or existing rules and regulations will not be applied in a manner which could limit or curtail the Group's operations.	The Group adopts standards of international best practice in environmental management and community engagement in addition to focussing on satisfying Mozambican environmental regulations and requirements in all stages of development. Environmental Management and Social Development Plans have been advanced and are being implemented to satisfy national and international best practice. The Mine and Power Plant Environmental Social Impact Assessment have been conducted by independent, internationally recognised consultants. The Mine Environmental Social Impact Assessment has been approved by the Mozambican Government. The change from CFB to PC boiler technology has resulted in the requirement for a review and resubmission of the Environmental and Social Impact Assessment study previously submitted and approved by the Mozambican Government. Ncondezi and SEP are currently working on the revised ESIA submission to the Mozambican Government.

Landmines	Existence of landmines in the Tete region and specifically in the project area, which may lead to safety issues such as fatalities and injury.	A comprehensive demining exercise has cleared the project site of any landmine risks. However, additional work will be required around the areas of the power evacuation route once this route has been confirmed.
Foreign Country risk	The Group's exploration licences and project are in Mozambique. The Group faces political risk whereby changes in government policy or a change of governing political party could place its exploration licences and project in jeopardy.	The Mozambique government has been stable for many years and fosters a beneficial climate towards companies exploring for resources.

The Company's shares are admitted to trading on AIM and so it is not formally required to comply with the UK Corporate Governance Code, which applies to companies which are officially listed and admitted to trading on the Main Market of the London Stock Exchange with a Premium Listing. Although the Company does not comply with UK Corporate Governance Code, the Board has given consideration to the provisions set out in Section 1 of the UK Corporate Governance Code. The Directors support the objectives of this code and intend to comply with those aspects which they consider relevant to the Group's size and circumstances.

Details of the key areas relating to the UK Corporate Governance Code are set out below. A statement of the Directors' responsibilities in respect of the financial statements is set out on page 26. Below is a brief description of the role of the Board and its committees, including a statement regarding the Group's system of internal financial control.

The workings of the Board and its committees

The Board of Directors
At 31 December 2015, the Board comprised a Non-Executive Chairman, (Michael Haworth), one Executive Director (Chris Schutte) and three further Non-Executive Directors (Jacek Glowacki, Estevão Pale, and Aman Sachdeva).

On 1 February 2015 Christiaan Schutte was appointed Chief Operating Officer and Executive Director. On 21 May 2015 Paul Venter announced he would be stepping down as Chief Executive Officer and Executive Director, and Aman Sachdeva was appointed Non-Executive Director. On 28 September 2015 Peter O'Conner resigned as Non-Executive Director.

The Board considers that, Estevão Pale is independent of management and free from any business or other relationships which could materially interfere with the exercise of his independent judgement.

An agreed procedure exists for Directors in the furtherance of their duties to take independent professional advice. With the prior approval of the Chairman, all Directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. If the Chairman is unable or unwilling to give approval, Board approval will be sufficient. Newly appointed Directors are made aware of their responsibilities through the Company Secretary. The Company does not make any provision for formal training of new Directors.

The Company has established audit and remuneration committees of the Board with formally delegated duties and responsibilities. Following the retirement of Peter O'Connor in September 2015, Michael Haworth remained the sole member of both committees. As a result, the company has reserved matters of audit and remuneration to the Board until additional members are appointed.

Conflicts of interest
The Board confirms that it has instituted a process for reporting and managing any conflicts of interest held by Directors. Under the Company's Articles of Association, the Board has the authority to authorise, to the fullest extent permitted by law:

(a) any matter which would otherwise result in a Director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest (including a conflict of interest and duty or conflict of duties);

(b) a Director to accept or continue in any office, employment or position in addition to his office as a Director of the Company and may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises provided that for this purpose the Director in question and any other interested Director are not counted in the quorum at any board meeting at which such matter, or such office, employment or position, is approved and it is agreed to without their voting or would have been agreed to if their votes had not been counted.

Company materiality threshold
The Board acknowledges that assessment on materiality and subsequent appropriate thresholds are subjective and open to change. As well as the applicable laws and recommendations, the Board has considered quantitative, qualitative and cumulative factors when determining the materiality of a specific relationship of Directors.

Bribery Act
It is our policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, implementing and enforcing effective systems to counter bribery.

We will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate and remain bound by the laws of the UK, including the Bribery Act 2010, in respect of our conduct both at home and abroad.

Board meetings
Board meetings are held on average every quarter. Decisions concerning the direction and control of the business are made by the Board.

Generally, the powers and obligations of the Board are governed by the Company's Memorandum and Articles and the BVI Business Companies Act 2004, as amended and the other laws of the jurisdictions in which it operates. The Board is responsible, inter alia, for setting and monitoring Group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the shareholders.

The Audit Committee
During 2015, the Audit Committee comprised Peter O'Connor (Committee Chairman) and Michael Haworth. Mr O'Connor resigned from the Board on 28 September 2015. An additional member of the Audit Committee is to be appointed. Until an additional member is appointed, audit related matters will be reserved for the Board.

The Committee provides a forum for reporting by the Group's external auditors. Meetings are held on average twice a year and are also attended, by invitation, by the Non-Executive Directors.

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual and half year results, financial statements and accompanying reports before their submission to the Board and monitoring the controls which ensure the integrity of the financial information reported to the shareholders.

The Remuneration Committee
The Remuneration Committee comprised Christiaan Schutte (Committee Chairman) and Michael Haworth. Christiaan Schutte stood down from the Remuneration Committee when he was appointed Chief Operating Officer in February 2015. An additional member of the Remuneration Committee is to be appointed. Until an additional member is appointed, matters of remuneration will be reserved for the Board.

The Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The Remuneration Committee determines the contract terms, remuneration and other benefits for the Executive Directors, including performance related bonus schemes, compensation payments and option schemes. The Board itself determines the remuneration of the Non-Executive Directors.

A Remuneration Committee Report appears on pages 24 to 25.

Internal financial control

The Board is responsible for establishing and maintaining the Group's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors are conscious of the need to keep effective internal financial control, particularly in view of the cash resources of the Group. Due to the relatively small size of the Group's operations, the Executive Director and senior management are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are still appropriate to the nature and scale of the operations of the Group.

Continuous disclosure and shareholder communication

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. The Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the market through a Regulatory Information Service in a timely manner.

All information disclosed through a Regulatory Information Service is posted on the Company's website http://www.ncondezienergy.com. Shareholders are forwarded documents relating to each Annual General Meeting, being the Annual Report, Notice of Meeting and Explanatory Memorandum and Proxy Form, and are invited to attend these meetings.

Managing business risk

The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and on-going review of business risks that could affect the Company. Duties in relation to risk management that are conducted by the Directors include but are not limited to:

- Initiate action to prevent or reduce the adverse effects of risk;
- Control further treatment of risks until the level of risk becomes acceptable;
- Identify and record any problems relating to the management of risk;
- Initiate, recommend or provide solutions through designated channels;
- Verify the implementation of solutions;
- Communicate and consult internally and externally as appropriate and
- Inform investors of material changes to the Company's risk profile.

Ongoing review of the overall risk management programme (inclusive of the review of adequacy of treatment plans) is conducted by external parties where appropriate. The Board ensures that recommendations made by the external parties are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

At the year ended 31 December 2015, the Remuneration Committee (the 'Committee') comprised Christiaan Schutte (Committee Chairman) and Michael Haworth. Christiaan Schutte stood down from the Remuneration Committee when he was appointed Chief Operations Officer in February 2015. An additional member of the Remuneration Committee is to be appointed. Until an additional member is appointed, matters of remuneration will be reserved for the Board.

Remuneration packages are determined with reference to market remuneration levels, individual performance and the financial position of the Company and the Group.

The Board determines the remuneration of Non-Executive Directors within the limits set by the Company's Articles of Association. The Non-Executive Directors have letters of engagement with the Company and their appointments are terminable on one months' or three months' written notice on either side.

Long Term Incentive Plan ("LTIP") and unapproved share option scheme
The Company adopted an LTIP and unapproved share option scheme which are administered by the Committee. These are discretionary and the Committee will decide whether to make share awards under the LTIP or unapproved share option scheme at any time. As at 31 December 2015 the following awards to Directors remained in place:

Director	Note	Date of grant	Number granted	Exercise price	Date exercisable from
Paul Venter	1	19 June 2012	500,000	30.5p	19 June 2013
Paul Venter	1	26 April 2013	1,000,000	17.25p	26 April 2013
Paul Venter	1	31 January 2014	1,125,000	Nil	31 January 2014
Paul Venter	1	31 January 2014	1,125,000	6.5p	Financial close

Non-Executives	Note	Date of grant	Number granted	Exercise price	Expiry
Estevão Pale		26 April 2013	75,000	17.25p	3 years from vesting
Peter O'Connor	2	26 April 2013	75,000	17.25p	3 years from vesting
Christiaan Schutte		26 April 2013	75,000	17.25p	3 years from vesting

1. Paul Venter resigned on 21 May 2015.
2. Peter O'Connor resigned on 28 September 2015

Grant of Share Awards
During 2015 no share options were issued to the Company's executive senior management and contracted personnel (2014: 5,700,000).

Directors' Options
During 2015 no share options were issued to the Company's Directors (2014: 2,250,000).

Directors' service agreements
None of the Directors have a service contract which is terminable on greater than one year's notice.

Non-Executive Directors' fees
The Company has adopted a standard level of fees for Non-Executive directors of £40,000 per annum, and £70,000 for the Chairman. The current Chairman has waived all fees. In addition, Jacek Glowacki and Aman Sachdeva have waived their Directors fees since 1 April 2015.

Directors' remuneration

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 December 2015 for individual directors who held office in the Company during the period.

Director	Note	Base Salary/fee US$'000	Benefits US$'000	Share based payments US$'000	Total 2015 US$'000	Total 2014 US$'000
Michael Haworth		-	-	-	**-**	-
Christiaan Schutte		302	-	-	**302**	69
Estevão Pale		63	-	-	**63**	70
Jacek Glowacki		20	-	-	**20**	66
Aman Sachdeva	1	-	-	-	**-**	-
Peter O'Connor	2	40	-	-	**40**	69
Paul Venter	3	153	200	23	**376**	468
Total		**578**	**200**	**23**	**801**	**742**

1. Aman Sachdeva was appointed on 21 May 2015
2. Peter O'Connor resigned on 28 September 2015
3. Paul Venter resigned on 21 May 2015.

On behalf of the Board

Michael Haworth

29 June 2016

The Directors are responsible for preparing the Directors' report and the financial statements for the Group. The Directors have prepared the financial statements for each financial year which present fairly the state of affairs of the Group and of the profit or loss of the Group for that year.

The Directors have chosen to use the International Financial Reporting Standards ("IFRS") as adopted by the European Union in preparing the Group's financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of financial statements.

International Accounting Standards require that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'.

In virtually all circumstances a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Group has complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. In addition to being mailed to shareholders, financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Independent audit report to the members of Ncondezi Energy Limited

Report on financial statements
We have audited the financial statements of Ncondezi Energy Limited for the year ended 31 December 2015 which comprise the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards ("IFRS") as adopted by the European Union.

This report is made solely to the Company's Members, as a body in accordance with our engagement letter dated 5 April 2016. Our audit work has been undertaken so that we might state to the Company's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' responsibility for the financial statements
As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (as issued by the International Federation of Accountants ("IFAC"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of financial statements in order to design appropriate audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on financial statements
In our opinion:

- the financial statements present fairly, in all material respects the state of the Group's affairs and its financial position as at 31 December 2015 and of its financial performance and its cash flows for the year then ended; and
- have been prepared in accordance with IFRS as adopted by the European Union.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern which is dependent on the Group's ability to raise further funds. The Directors believe that the Group will secure the necessary funds. While the Directors are continuing to explore options for additional funding there are currently no binding agreements in place. These conditions together with the other matters referred to in note 1 indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern which would principally relate to impairment of the Group's non-current assets.

Opinion on other matters

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Directors' report. In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

BDO LLP
Chartered Accountants
55 Baker Street
London W1U 7EU
United Kingdom

29 June 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of profit or loss

for the year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Other administrative expenses	3	**(2,731)**	(5,562)
Impairment	3, 6	**-**	(31,838)
Reversal of accrual	10	**656**	
Share-based payments charge	3	**(42)**	(226)
Total administrative expenses and loss from operations		**(2,117)**	(37,626)
Finance income		**1**	3
Finance expense		**(18)**	(41)
Loss for the year before taxation		**(2,134)**	(37,664)
Taxation	4	**17**	(37)
Loss for the year attributable to equity holders of the parent company		**(2,117)**	(37,701)
Loss per share expressed in cents			
Basic and diluted	5	**(0.8)**	(20.5)

Consolidated statement of other comprehensive income

for the year ended 31 December 2015

	2015 US$'000	2014 US$'000
Loss after taxation	**(2,117)**	(37,701)
Other comprehensive income:		
Exchange differences on translating foreign operations*	**(12)**	(48)
Total comprehensive loss for the year	**(2,129)**	(37,749)

*Items that may be reclassified to profit or loss

The notes on pages 33 to 53 form part of these financial statements.

Consolidated statement of financial position

as at 31 December 2015

	Note	**2015 US$'000**	2014 US$'000
Assets			
Non-current assets			
Property, plant and equipment	6	**18,249**	17,464
Total non-current assets		**18,249**	17,464
Current assets			
Inventory		**8**	12
Trade and other receivables	8	**104**	304
Cash and cash equivalents	9	**402**	4,515
Total current assets		**514**	4,831
Total assets		**18,763**	22,295
Liabilities			
Current liabilities			
Current tax payable		**-**	35
Trade and other payables	10	**555**	3,044
Total current liabilities		**555**	3,079
Total liabilities		**555**	3,079
Capital and reserves attributable to shareholders			
Share capital	11	**86,557**	85,478
Foreign currency translation reserve		**4**	16
Retained earnings		**(68,353)**	(66,278)
Total capital and reserves		**18,208**	19,216
Total equity and liabilities		**18,763**	22,295

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2015 and were signed on its behalf by:

Christiaan Schutte
Chief Operating Officer

The notes on pages 33 to 53 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended at 31 December 2015

	Share capital US$'000	Foreign Currency Translation reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2015	**85,478**	**16**	**(66,278)**	**19,216**
Loss for the year	**-**	**-**	**(2,117)**	**(2,117)**
Other comprehensive loss for the year	**-**	**(12)**	**-**	**(12)**
Total comprehensive loss for the year	**-**	**(12)**	**(2,117)**	**(2,129)**
Issue of shares	**1,184**	**-**	**-**	**1,184**
Costs associated with issue of shares	**(105)**	**-**	**-**	**(105)**
Equity settled share-based payments	**-**	**-**	**42**	**42**
At 31 December 2015	**86,557**	**4**	**(68,353)**	**18,208**

	Share capital US$'000	Foreign Currency Translation reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2014	80,695	64	(28,803)	51,956
Loss for the year	-	-	(37,701)	(37,701)
Other comprehensive income for the year	-	(48)	-	(48)
Total comprehensive loss for the year	-	(48)	(37,701)	(37,749)
Issue of shares	5,000	-	-	5,000
Costs associated with issue of shares	(217)	-	-	(217)
Equity settled share-based payments	-	-	226	226
At 31 December 2014	85,478	16	(66,278)	19,216

The notes on pages 33 to 53 form part of these financial statements.

Consolidated statement of cash flows

for the year ended at 31 December 2015

	Note	**2015 US$'000**	2014 US$'000
Cash flow from operating activities			
Loss before taxation		**(2,134)**	(37,664)
Adjustments for:			
Finance income		**(1)**	(3)
Finance expense		**18**	41
Share-based payments charge	3	**42**	226
Unrealised foreign exchange movements		**1**	(30)
Disposal of property plant and equipment		**-**	7
Impairment		**-**	31,838
Reversal of accrual	10	**(656)**	-
Depreciation and amortisation		**175**	303
Net cash flow from operating activities before changes in working capital		**(2,555)**	(5,282)
Decrease in inventory		**4**	17
Decrease in payables		**(2,100)**	(991)
Decrease in receivables		**200**	2,020
Net cash flow from operating activities before tax		**(4,451)**	(4,236)
Income taxes paid		**(35)**	(65)
Net cash flow from operating activities after tax		**(4,486)**	(4,301)
Investing activities			
Payments for property, plant and equipment	6	**-**	(31)
Interest received		**1**	3
Transfer from restricted cash		**-**	429
Power development costs capitalised		**(669)**	(2,328)
Mine development costs capitalised		**(21)**	(755)
Net cash flow from investing activities		**(689)**	(2,682)
Financing activities			
Issue of ordinary shares		**1,184**	5,000
Bank charges		**(17)**	(41)
Cost of share issue		**(105)**	(217)
Net cash flow from financing activities		**1,062**	4,742
Net decrease in cash and cash equivalents in the year		**(4,113)**	(2,241)
Cash and cash equivalents at the beginning of the year		**4,515**	6,756
Cash and cash equivalents at the end of the year		**402**	4,515

The notes on pages 33 to 53 form part of these financial statements.

1. Principal accounting policies

General
The Company is a limited liability company incorporated on 30 March 2006 in the British Virgin Islands. The address of its registered office is 2nd floor, Wickham's Cay II, PO Box 2221, Road Town, Tortola, British Virgin Islands.

Going concern
As at 6 June 2016 the Group had cash reserves of approximately US$0.3m and an available undrawn loan facility of US$0.7m. Based upon projections the current cash reserves plus the available loan facility will fund expenditure until the end of Q3 2016.

The Company has signed a binding JDA with SEP which provides for SEP to invest up to US$25.5m to fund power development expenditure to Financial Close. The JDA is subject to a number of conditions which are detailed in the Operations Review. These conditions indicate the existence of a material uncertainty over the JDA becoming effective in the necessary time frame.

Additional funding will be required to cover select overheads not funded by SEP as well the mine development costs. As such, additional funding will be required to meet liabilities as they fall due beyond Q3 2016. The Directors are exploring a range of financing options and are confident that sufficient funds can be raised in the necessary time frame. Accordingly they are confident that the Group will continue as a going concern and have prepared the financial statements on that basis, however, there can be no guarantee that a binding transaction can be concluded.

Should the Group be unable to raise the necessary finance within the required time, it may not be able to realise the value of its assets and discharge its liabilities in the ordinary course of business.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. Such adjustments would principally be the write down of the Group's non-current assets.

Basis of preparation
The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRS").

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

The Group financial information is presented in United States dollars (US$) and values are rounded to the nearest thousand dollars (US$'000).

Loss from operations is stated after charging and crediting all operating items excluding finance income and expenses.

1. Principal accounting policies *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

Adoption of new and revised accounting standards

In 2015, several amended standards and interpretations became effective. The adoption of these standards and interpretations has not had a material impact on the financial statements of the Group.

At the date of authorisation of these financial statements, the following standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective (*and some of which were pending endorsement by the EU):

Standard		Effective date
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 1 (Amendment)	Disclosure initiative	1 January 2016
Annual Improvements to IFRSs	2012-2014 Cycle	1 January 2016
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018*
IFRS 16	Leases	1 January 2019*

The Group is still considering the impact of IFRS 9 and 16 and it is not anticipated the other new standards issued but not effective for the year would be relevant for adoption by the Group.

1. Principal accounting policies *(continued)*

Basis of consolidation

Subsidiaries
Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations
The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors.

Share-based payments
Equity-settled share-based payments to employees and Directors are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions with employees and Directors is recognised as an expense over the vesting period. The fair value of the equity instrument is determined at the date of grant, taking into account market based vesting conditions.

The fair value of the equity instrument is measured using the Black-Scholes model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

When grant of equity instruments is cancelled or settled during the vesting period the cancellation is accounted for as an acceleration of vesting and the amount that otherwise would have been recognised for services received over the remainder of the vesting period is immediately expensed.

If, after the vesting date, fully vested options lapse or not exercised the previously recognised share based payment charge is not reversed.

Property, plant and equipment
Property, plant and equipment are stated at cost on acquisition less depreciation. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

The annual rate of depreciation for each class of depreciable asset is:

Plant and equipment	25%
Other	20%-33%
Buildings	10%

The carrying value of property plant and equipment is assessed annually and any impairment is charged to the profit or loss.

1. Principal accounting policies *(continued)*

Power project costs
Power project expenditure is expensed until it is probable that future economic benefits associated with the project will flow to the Group and the cost of the project can be measured reliably. When it is probable that future economic benefits will flow to the Group, all costs associated with developing the 300MW power project are capitalised as power project expenditure within property, plant and equipment category of tangible non-current assets. The capitalised expenditure includes appropriate technical and administrative expenses but not general overheads. Power project assets are not depreciated until after the start of commercial operation.

Exploration and evaluation assets
Exploration and evaluation assets include all costs associated with exploring and evaluating prospects within licence areas, including the initial acquisition of the licence are capitalised on a project-by-project basis. Costs incurred include appropriate technical and administrative expenses but not general overheads. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the Group, the related costs will be written off.

The recoverability of exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Mining assets
When the technical feasibility of the exploration project is determined, mining licence concession is obtained and a decision is made to proceed to development stage the related exploration and evaluation assets are assessed for potential impairment and then transferred to non-current mining assets and included within property, plant and equipment.

Mining properties are depleted over the estimated life of the reserves on a ‘unit of production’ basis.

Commercial reserves are proven and probable reserves. Changes in commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Impairment
The carrying amounts of non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the statement of profit or loss and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the prior years.

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Group’s cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairments are recognised in the statement of profit or loss to the extent that the carrying amount exceeds the assets recoverable amount. The revised carrying amounts are amortised in line with the Group's accounting policies.

The Group has two cash generating units being the coal mining asset and the power plant project.

1. Principal accounting policies *(continued)*

Operating leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease') amounts payable under the lease are charged to the profit or loss on a straight-line basis over the lease term.

Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results of overseas group entities are translated into US$, which is the functional currency of the Company, the Mozambican and Mauritian subsidiaries and presentation currency for the consolidated financial statements, at rates approximating to those ruling when the transactions took place, all assets and liabilities of overseas group entities are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange translation reserve.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in the statement of profit or loss.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic resources will result and that outflow can be reliably measured.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the statement of profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

1. Principal accounting policies *(continued)*

Inventory
Inventories relate to fuel stocks and are valued at the lower of the average cost and net realisable value.

Financial instruments
Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets
The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group did not have any financial assets designated at fair value through profit or loss and as held to maturity or held for trading. Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

The Group's accounting policy for each category is as follows:

Loans and receivables
Loans and receivables (including trade receivables) are measured on initial recognition at fair value and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand, deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities
The Group classifies its financial liabilities only as held at amortised cost.

Held at amortised cost
Financial liabilities refer to trade and other payables and are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position.

Share capital
Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company’s ordinary shares are classified as equity instruments.

The Company considers its capital to be total equity.

The Company is not subject to any externally imposed capital requirements.

2. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Accounting judgements

(i) Impairment of mining assets
Determination as to whether, and by how much, an asset or cash generating unit is impaired involves management estimates on highly uncertain matters such as future commodity prices, estimates of future operating expenses, discount rates, production profiles and the outlook for regional market power demand in Mozambique. Management have performed an impairment test using the current economic model for the mine as at year end. The expected future cash flows were estimated using management's best estimates which are based on currently available information such as reserves reports and are consistent with the previously agreed 25 year conditional agreement with EDM for the supply of electricity which expired on 31 December 2015.

As disclosed in note 1, the value of the Group's coal mining asset and power project is dependent on the Group's ability to raise the required finance for the construction of the coal processing facilities and the power plant.

The key estimates and assumptions are disclosed in note 6.

(ii) Capitalisation of power project expenditure
The power plant costs in note 6 are capitalised when it is probable that future economic benefits will flow to the Group. When determining the probability of the success of the power plant project Management have considered key milestones, risks and de-risking events and determined that it is more likely than not that the power plant will be developed. Judgement is required in determining whether internal costs are directly attributable to the project and certain payroll costs are capitalised based on analysis of the nature of the work performed by employees.

The final outcome of the power plant development is dependent on a number of technical, financial and political factors; however Management assess these factors to have been suitably mitigated and de-risked.

(iii) Impairment of power project assets
In accordance with the accounting policy stated above, the Group tests annually to see whether power project assets have suffered impairment.

The recoverability of the amounts shown in the consolidated statement of financial position in relation to power project assets are dependent upon the successful completion of a power purchase off take agreement, the political, economic and legislative stability of the region in which the plant is to operate, the Group's ability to obtain the necessary financing to fulfil its obligations as they arise and the future profitable electricity production or proceeds from the disposal of properties.

Accounting estimates

(i) Provisions for liabilities
As a result of exploration activities the Group is required to make a provision for rehabilitation. The Group's exploration activities are largely complete and no further development work has taken place and as such no significant damage has been caused up to the reporting date.

(ii) Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

2. Critical accounting estimates and judgements (continued)

(iii) Reversal of accruals

At year end, Management assessed the appropriateness of the level of accruals based on information available. US$656,000 of accruals have been released in respect of historic project costs following Management's assessment based on factors such as the status of agreements, the passage of time and communication with counterparties. The potential for payment of the accruals is determined to be remote.

3. Administrative expenses

	2015 US$'000	2014 US$'000
Staff costs	**1,005**	2,415
Professional and consultancy	**903**	1,143
Office expenses	**312**	1,071
Travel and accommodation	**197**	354
Other expenses	**290**	637
Foreign exchange	**24**	(58)
Other administrative expenses	**2,731**	5,562
Impairment (Note 6)	**-**	31,838
Reversal of accrual (Note 10)	**(656)**	-
Share-based payments	**42**	226
Total administrative expenses	**2,117**	37,626

Auditors' remuneration

	2015 US$'000	2014 US$'000
Group auditors' remuneration		
- audit of the Group's accounts	**48**	70
- audit of the Group's subsidiaries	**22**	22
Other services		
- other non-audit services (consulting)	**-**	23
	70	115

Auditors' remuneration is included within Professional and consultancy costs.

3. Administrative expenses *(continued)*

Staff costs (including Directors)

	2015 US$'000	2014 US$'000
Wages and salaries	**1,148**	2,480
Share based payments	**42**	226
Social security costs	**22**	148
	1,212	2,854

US$169,000 (2014: US$212,490) included within wages and salaries have been capitalised to the power project asset.

The average monthly number of employees (including executive Directors) of the Group were:

	2015 Number	2014 Number
Operational	**11**	19
Administration	**9**	20
	20	39

Key management compensation:

	2015 US$'000	2014 US$'000
Salary	**455**	1,202
Fees	**123**	170
Social security costs	**12**	110
	590	1,482
Other short-term Benefits	**5**	35
Termination benefits	**86**	-
Post-employment benefits	**109**	-
Share based payments	**34**	173
	824	1,690

Key management personnel are considered to be Directors and senior management of the Group.

4. Taxation

The Group entities subject to corporate income tax are Ncondezi Coal Company Mozambique Limitada which is subject to tax at the rate of 32% (2014: 32%) on its profits in Mozambique and Ncondezi Services (UK) Limited which is subject to tax at a rate of 20.25% (2014: 21.5%) on its profits in the UK. No tax charge/ (credit) arose in the current or prior year for Ncondezi Coal Company Mozambique Limitada.

Tax refundable for 2015 has been estimated at US$17,000 and has been reconciled to the expected tax charge based on the Group losses at the standard rate of taxation in the UK where the Group has generated taxable profits as follows:

	2015 US$'000	2014 US$'000
Current tax – UK corporation tax	**(17)**	37
Group loss on ordinary activities before tax	**(2,134)**	(37,664)
Effects of:		
Reconcile to UK corporation tax rate of 20.25% (2014: 21.5%)	**(432)**	(8,098)
Differences arising from different tax jurisdictions	**13**	370
Non deductible expenses	**2,853**	7,774
Foreign exchange effect originating in overseas companies	**(2,644)**	(415)
Unrecognised taxable losses carried forward	**193**	406
Total tax for the year	**(17)**	37

During the exploration and development stages, the Group will accumulate tax losses which may be carried forward. As at 31 December 2015, no deferred tax asset has been recognised for tax losses of US$8,369,000 (2014: USD$7,609,000) carried forward within the Group's overseas subsidiaries, as the recovery of this benefit is dependent on the future profitability, the timing and certainty of which cannot be reasonably foreseen.

Tax losses in Mozambique are available for use over a five year period. Of the total available Mozambican subsidiary tax credits, US$760,000 will be available until 31 December 2020, US$1,269,000 will be available until 31 December 2019, US$1,834,000 will be available until 31 December 2018, US$2,000,000 will be available until 31 December 2017, and US$1,631,000 will be available until 31 December 2016.

5. Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Due to the losses incurred during the year a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share. Out of 14,000,000 share incentives outstanding at the end of the year 11,675,000 (2014: 12,500,000) had already vested, which if exercised could potentially dilute basic earnings per share in the future. There were no potential ordinary shares outstanding in the year (2014: nil).

		2015			2014	
	Loss US$'000	Weighted average number of shares (thousands)	Per share amount (cents)	Loss US$'000	Weighted average number of shares (thousands)	Per share amount (cents)
Basic and diluted EPS	**(2,117)**	**249,415**	**(0.8)**	(37,701)	183,483	(20.5)

6. Property, plant and equipment

	Power assets US$'000	Mining assets US$'000	Buildings US$'000	Plant and equipment US$'000	Other US$'000	Total US$'000
Cost						
At 1 January 2014	**4,353**	**38,875**	**1,736**	**514**	**722**	**46,200**
Additions	3,848	580	-	-	31	4,459
Impairment	-	(31,838)	-	-	-	(31,838)
Disposals	-	-	-	(67)	(35)	(102)
At 1 January 2015	**8,201**	**7,617**	**1,736**	**447**	**718**	**18,719**
Additions	939	21	-	-	-	960
Impairment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2015	**9,140**	**7,638**	**1,736**	**447**	**718**	**19,679**
Depreciation						
At 1 January 2014	**-**	**-**	**210**	**232**	**604**	**1,046**
Depreciation charge	-	-	76	96	131	303
Disposals	-	-	-	(59)	(35)	(94)
At 1 January 2015	**-**	**-**	**286**	**269**	**700**	**1,255**
Depreciation charge	-	-	73	84	18	175
Disposals	-	-	-	-	-	-
At 31 December 2015	**-**	**-**	**359**	**353**	**718**	**1,430**
Net Book value 2015	**9,140**	**7,638**	**1,377**	**94**	**-**	**18,249**
Net Book value 2014	8,201	7,617	1,450	178	18	17,464
Net Book value 2013	4,353	38,875	1,526	282	118	45,154
Net book value 2012	-	-	1,623	352	353	2,328

Power assets relate to the development of a 300MW power plant.

Mine assets relate to the initial acquisition of the licences and subsequent expenditure incurred in evaluating the Ncondezi mine project. These were transferred from intangible assets on receipt of the mining concession in 2013.

The 2014 impairment charge relates to provisions against the carrying value of the Group's coal mining asset, following a review of the value of the coal mining asset at the year end. The carrying value of the coal asset now reflects the value of the coal resource that will supply the Ncondezi 300MW power station. There was no impairment charge in 2015 (2014: USD$ 32m).

Impairment for the coal mining asset in 2014 had been assessed based on a value in use calculation. The key estimates used in the value in use calculation were as followed:

- Pre tax discount rate -11.7% (2013:11.7%)
- Life of the coal asset (based on the conditional EDM deal) – 25 years
- Inflation – 2.21% (2013:3%)

7. Subsidiaries

The Group has the following subsidiary undertakings:

		% interest 2015	% interest 2014	Country of incorporation	Activity
Zambezi Energy Corporation Holdings 1 Limited	'ZECH1'	100	100	Mauritius	Holding company
Zambezi Energy Corporation Holdings 2 Limited	'ZECH2'	100	100	Mauritius	Holding company
Ncondezi Coal Company Mozambique Limitada	'NCCML'	100	100	Mozambique	Mining exploration
Ncondezi Services (UK) Limited	'NSUL'	100	100	UK	Service Company
Ncondezi Power Holdings Limited	'NPHL'	100	100	Mauritius	Holding company
Ncondezi Power Company SA	'NPCSA'	100	100	Mozambique	Energy company
Ncondezi Power Mozambique Limitada	'NPML'	100	100	Mozambique	Energy company

Ncondezi Coal Company Mozambique Limitada is owned by Zambezi Energy Corporation Holdings 1 Limited and Zambezi Energy Corporation Holdings 2 Limited.

Ncondezi Power Company SA is owned by Ncondezi Energy Limited, Zambezi Energy Corporation Holdings 1 Limited and Zambezi Energy Corporation Holdings 2 Limited.

Ncondezi Power Mozambique Limitada is owned by Zambezi Energy Corporation Holdings 2 Limited and Ncondezi Power Holdings Limited.

8. Trade and other receivables

	2015 US$'000	2014 US$'000
Current assets:		
Other receivables	**104**	304
Total trade and other receivables	**104**	304

The fair value of receivables is not significantly different from their carrying value.

There are no receivables that are past due or impaired at year end.

9. Cash and cash equivalents

	2015	2014
	US$'000	US$'000
Cash at bank and in hand	**402**	4,515
	402	4,515

The Group's cash and cash equivalents balances may be analysed by currency as follows:

	2015	2014
	US$'000	US$'000
US Dollars	**326**	3,885
Great British Pounds	**56**	178
South African Rand	**12**	412
Mozambique Meticais	**8**	40
	402	4,515

Where possible cash is deposited in floating rate deposit accounts at reputable financial institutions with high credit ratings.

10. Trade and other payables

	2015	2014
	US$'000	US$'000
Other payables	**202**	1,358
Other taxation and social security	**4**	38
Accruals	**349**	1,648
	555	3,044

The fair value of payables is not significantly different from their carrying value.

US$656,000 of accruals was reversed in the year due to the possibility that these accruals will be called upon for payment being considered remote. Refer to note 2.

11. Share capital

	2015	2014
Number of shares		
Allotted, called up and fully paid		
Ordinary shares of no par value	**249,849,844**	236,662,043

	Shares Issued Number	Share capital US$'000
At 1 January 2015	**236,662,043**	85,478
Issue of shares	13,187,801	1,184
Issue costs	-	(105)
At 31 December 2015	249,849,844	86,557

	Shares Issued Number	**Share capital US$'000**
At 1 January 2014	181,673,523	80,695
Issue of shares	54,988,520	5,000
Issue costs	-	(217)
At 31 December 2014	236,662,043	85,478

12. Reserves

The following describes the nature and purpose of each reserve within owners' equity.

Share capital	Amount subscribed for share capital, net of costs of issue
Foreign currency translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into US Dollars
Retained earnings	Cumulative net gains and losses less distributions made, together with share based payment equity increases

13. Share-based payments

Share awards are granted to employees and Directors on a discretionary basis and the Remuneration Committee will decide whether to make share awards under the LTIP or unapproved share option scheme at any time.

Long term incentive plan and unapproved share option scheme

Exercise price per share	Grant date	Outstanding at start of year	Granted during the year	Lapsed/ cancelled during the year	Outstanding at year end	Final exercise date
2014						
Nil	27.05.10	2,800,000	-	(400,000)	2,400,000	26.05.20
25c	27.05.10	800,000	-	-	800,000	26.05.20
Nil	10.06.10	1,200,000	-	-	1,200,000	09.06.20
59p (90.7c)	19.01.12	225,000	-	-	225,000	25.08.15
30.5p (47.8c)	19.06.12	500,000	-	-	500,000	18.06.22
17.25p (26.3c)	26.04.13	4,600,000	-	-	4,600,000	25.04.23
Nil	30.01.14	-	2,250,000	-	2,250,000	30.06.20
6.5p (10.8c)	30.01.14	-	3,450,000	-	3,450,000	30.06.20
Total		10,125,000	5,700,000	(400,000)	15,425,000	
WAEP (cents)		18.31	6.5	-	14.43	

Exercise price per share	Grant date	Outstanding at start of year	Granted during the year	Exercised/ lapsed during the year	Outstanding at year end	Final exercise date
2015						
Nil	27.05.10	2,400,000	-	-	2,400,000	26.05.20
25c	27.05.10	800,000	-	-	800,000	26.05.20
Nil	10.06.10	1,200,000	-	(1,200,000)	-	09.06.20
59p (90.7c)	19.01.12	225,000	-	(225,000)	-	25.08.15
30.5p (47.8c)	19.06.12	500,000	-	-	500,000	18.06.22
17.25p (26.3c)	26.04.13	4,600,000	-	-	4,600,000	25.04.23
Nil	30.01.14	2,250,000	-	-	2,250,000	30.06.20
6.5p (10.8c)	30.01.14	3,450,000	-	-	3,450,000	30.06.20
Total		**15,425,000**	**-**	**(1,425,000)**	**14,000,000**	
WAEP (cents)		**14.43**	**-**	**-**	**14.44**	

The Company's mid-market closing share price at 31 December 2015 was 3.63p (31 December 2014: 5.5p). The highest and lowest mid-market closing share prices during the year were 5.5p (2014: 8.25p) and 1.63p (2014: 4.88p) respectively.

During the year 225,000 have lapsed and 1,200,000 share awards were exercised with the shares being distributed from the *Ncondezi Trust No.1 Ogier Employee Benefit Trustee Limited* holding. No new shares were issued as part of the exercise.

Of the total number of options outstanding at year end, 11,675,000 (2014: 12,500,000) had vested and were exercisable. The weighted average exercise price for the exercisable options at year end was 15.16p (2014: 12.8p).

The weighted average contractual life of the options outstanding at the year-end was seven years (2014: seven years).

The options granted in 2010 vested immediately at the date of grant.

The vesting conditions of the 500,000 options awarded on 19 June 2012 were that they would vest over a three year period, subject to employees remaining in service over the period.

Out of the 4,600,000 options granted on 26 April 2013, 500,000 options vested at the date of grant, 1,875,000 options were subject to milestone based vesting conditions and 2,225,000 were subject to time based vesting conditions.

The Milestone based awards provide that one third of the awards vest upon successful conclusion of Head of Terms for a Power Purchase Agreement and two third vest upon the execution of a Power Purchase Agreement for all or part of the first 300MW phase of Ncondezi Power Project, subject to employees remaining in service.

The Time based awards provide that the options vest in two equal tranches on the first and second anniversary from the date of grant, subject to employees remaining in service during that period.

Out of the 5,700,000 options granted on 30 January 2014, 3,375,000 vested on the date of grant and the remaining 2,325,000 options will vest subject to achieving financial close of the 300MW Power Plant project, subject to employees remaining in service.

The fair value of the 14,000,000 share awards granted under the Group's unapproved share option scheme has been calculated using the Black-Scholes model and spread over the vesting period. The following principal assumptions were used in the valuation:

Grant dated	Note	Share price at date of grant	Exercise price per share	Volatility	Period likely to exercise	Risk-free investment	Fair value
19.01.12		90.67c	90.67c	50%	5 years	0.9%	39.63c
19.06.12		47.83c	47.83c	50%	5 years	0.7%	20.76c
26.04.13	1	26.32c	26.32c	37.65%	3-5 years	0.7%	8.10c
26.04.13	1	26.32c	26.32c	37.65%	3-5 years	0.7%	8.09c
26.04.13	1	26.32c	26.32c	37.65%	3-5 years	0.7%	8.08c
26.04.13	1	26.32c	26.32c	37.65%	3-5 years	0.7%	7.87c
26.04.13	1	26.32c	26.32c	37.65%	3-5 years	0.7%	8.23c
26.04.13		26.32c	26.32c	37.65%	4-5 years	0.7%	8.50c
31.01.14		10.77c	-	34.17%	5 years	2.4%	10.77c
31.01.14		10.77c	10.77c	43.57%	2 years	2.4%	3.18c
31.01.14		10.77c	10.77c	34.17%	5 years	2.4%	3.66c

1. Additional market conditions are attached to these share awards. The fair value at the date of grant was determined using a probability of meeting these market conditions.

The volatility of 50% was calculated using the share price of a similar company with coal assets in Mozambique, and the volatility of 37.65% was calculated using the Company's own share price over 90 days.

The volatility of 43.57% and 34.17% was based on a statistical analysis of daily prices over the last two and five years respectively.

Based on the above fair values, the expense arising from equity-settled share options made to employees and Directors was US$41,961 for the year (2014: US$225,769).

14. Segmental analysis

The Group has three reportable segments:

- Mine project - this segment is involved in the exploration for coal and development of coal mine within the Group's licence areas in Mozambique
- Power project – this segment relates to the development of a 300MW integrated power plant next to the Group's coal mine concession areas in Mozambique
- Corporate - this comprises head office operations and the provision of services to Group companies

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and are based on differences in products from which each reportable segment will derive its future revenues. The chief operating decision-maker has been identified as the Board of Directors.

The operating results of each of these segments are regularly reviewed by the Group's chief operating decision-maker in order to make decisions about the allocation of resources and assess their performance.

The segment results for the year ended 31 December 2015 are as follows:

Income statement	**Power project US$'000**	**Mine project US$'000**	**Corporate US$'000**	**Group US$'000**
For the year ended 31 December 2015				
Segment result before and after allocation of central costs	**(1,382)**	**(282)**	**(453)**	**(2,117)**
Finance expense	**(2)**	**(4)**	**(12)**	**(18)**
Finance income	**1**	**-**	**-**	**1**
Loss before taxation	**(1,383)**	**(286)**	**(465)**	**(2,134)**
Refund on Taxation	**-**	**-**	**17**	**17**
Loss for the year	**(1,383)**	**(286)**	**(448)**	**(2,117)**

The segment results for the year ended 31 December 2014 are as follows:

Income statement	Power project US$'000	Mine project US$'000	Corporate US$'000	Group US$'000
For the year ended 31 December 2014				
Segment result before and after allocation of central costs	(94)	(33,538)	(3,994)	(37,626)
Finance expense	(5)	(12)	(24)	(41)
Finance income	-	-	3	3
Loss before taxation	(99)	(33,550)	(4,015)	(37,664)
Taxation	-	-	(37)	(37)
Loss for the year	(99)	(33,550)	(4,052)	(37,701)

14. Segmental analysis *(continued)*

Other segment items included in the Income statement are as follows:

Income statement	**Power project US$'000**	**Mine project US$'000**	**Corporate US$'000**	**Group US$'000**
For the year ended 31 December 2015				
Depreciation charged to the income statement	**-**	**(172)**	**(3)**	**(175)**
Share based payments	**-**	**-**	**(42)**	**(42)**
Income tax refund	**-**	**-**	**17**	**17**

Income statement	Power project US$'000	Mine project US$'000	Corporate US$'000	Group US$'000
For the year ended 31 December 2014				
Depreciation charged to the income statement	-	(298)	(20)	(318)
Impairment charge	-	(31,838)	-	(31,838)
Share based payments	-	-	(226)	(226)
Income tax expense	-	-	(37)	(37)

The segment assets and liabilities at 31 December 2015 and capital expenditure for the year then ended are as follows:

Statement of financial position	**Power project US$'000**	**Mine project US$'000**	**Corporate US$'000**	**Group US$'000**
At 31 December 2015				
Segment assets	**9,158**	**9,254**	**351**	**18,763**
Segment liabilities	**(247)**	**(79)**	**(229)**	**(555)**
Segment net assets	**8,911**	**9,175**	**122**	**18,208**
Property plant and equipment capital expenditure	**939**	**21**	**-**	**960**

The segment assets and liabilities at 31 December 2014 and capital expenditure for the year then ended are as follows:

Statement of financial position	Power project US$'000	Mine project US$'000	Corporate US$'000	Group US$'000
At 31 December 2014				
Segment assets	8,715	9,889	3,691	22,295
Segment liabilities	(935)	(410)	(1,734)	(3,079)
Segment net assets	7,780	9,479	1,957	19,216
Property plant and equipment capital expenditure	3,848	611	-	4,459

15. Financial instruments

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 1.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises, are as follows:

	2015 US$'000	2014 US$'000
Loans and receivables at amortised cost		
Trade and other receivables	**30**	168
Cash and cash equivalents	**402**	4,515
Financial liabilities held at amortised cost		
Trade and other payables	**551**	3,006

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and retains ultimate responsibility for them.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

15. Financial instruments *(continued)*

Credit risk
Credit risk arises principally from the Group's investments in cash deposits.

The Group holds its cash balances with four different banks in Guernsey, London, Mauritius and Mozambique. The Group seeks to deposit cash with reputable financial institutions with strong credit ratings.

Liquidity risk
Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Board receives cash flow projections on a monthly basis as well as information on cash balances.

Maturity analysis based on contractual terms

2015	**Total**	**on demand**	**in 1 month**	**Between 1 and 6 months**	**Between 6 and 12 months**	**Between 1 and 3 years**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Trade and other payables	**551**	**-**	**551**	**-**	**-**	**-**

2014	**Total**	**on demand**	**in 1 month**	**Between 1 and 6 months**	**Between 6 and 12 months**	**Between 1 and 3 years**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Trade and other payables	3,006	-	3,006	-	-	-

The Group endeavours to match the maturity of its current assets with its current liabilities to mitigate liquidity risk.

Borrowing facilities
The Group had no undrawn committed borrowing facilities available at 31 December 2015 (2014: Nil).

Market risk
The Group does not currently sell any coal or electricity. As such there is no specific market risk at the date of this report. However, there is a risk that the Group is unable to secure a credit worthy off-taker for the full output of the power plant, with the plant operating at load factors in excess of 80%.

Currency risk
The Group is exposed to currency risk through its activities in Mozambique due to certain costs arising in Mozambique Meticais, whilst the functional currency is US dollars. The Group has no formal policy in respect of foreign exchange risk, however, it reviews its currency exposures on a monthly basis. Currency exposures relating to monetary assets held by foreign operations are included within the Group statement of profit or loss. The Group also manages its currency exposure by retaining the majority of its cash balances in US dollars, being a relatively stable currency.

A 5% appreciation in the value of the US dollar against the Meticais, GB pounds and ZAR will decrease net assets by US$1,044 (2014: decreased net assets by US$35,408).

15. Financial instruments *(continued)*

Currency exposures

As at 31 December the Group's net exposure to foreign exchange risk was as follows:

					2015					2014
					US$'000					US$'000
			Assets/(liabilities) held						Assets/(liabilities) held	
	USD	**GBP**	**ZAR**	**MZN**	**Total**	USD	GBP	ZAR	MZN	Total
US dollars	**(132)**	**9**	**13**	**(9)**	**(119)**	2,375	(751)	105	(52)	1,677
	(132)	**9**	**13**	**(9)**	**(119)**	2,375	(751)	105	(52)	1,677

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Mozambican Meticais and Sterling, but these are not significant as most of the transactions are in USD.

16. Related party transactions

Parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related parties with whom the Group entered into transactions or had balances outstanding at 31 December 2015 and 31 December 2014 is determined by management as transactions where the Group has the ability to control the decisions taken by management of the related parties through the Group's shareholders. All companies were classified as ''other related parties'' according to requirements of IAS 24.

Zanaga UK Services Ltd

The Company re-charged to Zanaga UK Services Ltd, a subsidiary of Zanaga Iron Ore Company Limited, of which Michael Haworth is a Non-Executive Director, US$16,451 (2014: US$159,157) in respect of shared office expenses. There was no outstanding balance at 31 December 2015 (2014: nil).

Christiaan Schutte

During the year US$49,600 (2014: US$61,650) were paid to CPS Consulting in respect of services provided by Christiaan Schutte. There was no outstanding balance at 31 December 2015 (2014: US$ 8,520).

17. Commitments

Social development programme

In December 2012 a Memorandum of Understanding was signed with the Mozambican Ministry of Mineral Resources and Energy in respect of a Social Development Programme, with a committed spend of US$2m following an agreed programme. By December 2015 half of this budget has been successfully spent in various initiatives. During the year US$ 38,881 (2014: US$118,087) was spent as part of this programme.

In addition, upon receiving the mining concession a further US$5m was committed. The expenditure programme is still to be negotiated with the Ministry of Mineral Resources and Energy.

Environmental licence fee

An environmental licence fee of 0.2% of the capital cost of construction is payable before commencement of construction.

EMEM 5% investment in NCCML

Along with the issuance of the Mining Concession, Ncondezi's local subsidiary NCCML also concluded an Addendum to Mine Framework Agreement ("MFA") with Mozambican Ministry of Mineral Resources and Energy. Under the terms of the Addendum to the MFA, it has been agreed that the Government owned Mozambican Mining Exploration Company ("EMEM") will be granted a 5% free carry in the share capital of NCCML up to the start of the Ncondezi mine's construction. However, from the commencement of construction EMEM will be required to pay, through an agreed funding mechanism, for its share of any future equity funding obligations that may be required from the shareholders of NCCML including its share of the construction and commissioning costs of bringing the Ncondezi mine into commercial operation.

18. Events after the reporting date

In May 2016 the Company raised US$1.32 million via loan facility from certain of Ncondezi's Directors, Management and long term shareholders in May 2016.

In January 2016, the Company signed a binding JDA with SEP which sets out the terms on which the Power Project will be jointly developed. Under the JDA, SEP will fund up to US$25.5 million of power plant development costs to Financial Close in return for a 60% equity interest in the Power Project. SEP will also lead the procurement of the EPC agreements, the O&M agreements and the debt financing to achieve Financial Close. Further details can be found in the Operations Review.

Directors	Michael Haworth (Non-Executive Chairman) Christiaan Schutte (Executive Director) Estevão Pale (Non-Executive Director) Jacek Glowacki (Non-Executive Director) Aman Sachdeva (Non-Executive Director)
Company Secretary	Elysium Fund Management Limited PO Box 650, 1st Floor, Royal Chambers St Julian's Avenue St Peter Port Guernsey GY1 3JX
Registered Office	2nd Floor Wickham's Cay II PO Box 2221 Road Town Tortola British Virgin Islands
Company number	1019077
Nominated Advisor and Corporate Broker	Liberum Capital Limited Ropemaker Place Level 12 25 Ropemaker Street London EC2Y 9AR
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Registrar	Computershare Investor Services (BVI) Limited Woodbourne Hall PO Box 3162 Road Town Tortola British Virgin Islands
Legal advisor to the Company as to BVI law	Ogier LLP 41 Lothbury London EC2R 7HF
Legal advisor to the Company as to English law	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA