

## NEWS RELEASE

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### **Audited Final Results for Year Ended 31 December 2018**

28 June 2019: Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to announce its audited final results for the year ended 31 December 2018.

#### **Highlights**

##### *During the year*

- On 18 April 2018, the Company announced in principle support from Electricity de Mozambique ("EDM") and the Ministry of Mineral Resources and Energy ("MIREME") for proposed strategic partners, China Machinery Engineering Corporation ("CMEC") and General Electric South Africa (PTY) Limited ("GE").
- On 25 April 2018, updated information for the engineering, procurement, and construction ("EPC") and operations and maintenance ("O&M") proposals were received from CMEC and GE.
- On 4 May 2018, the Company raised a total of £950,000 before expenses through an oversubscribed placing of 15,200,000 ordinary shares in the Company at a price of 6.25 pence per ordinary share.
- On 25 May 2018, the Company, as part of the Company's management incentive scheme, granted share options in respect of 22,897,522 shares in the Company to its directors, executive senior management team and contracted personnel representing 8.2% of the issued share capital of the Company.
- On 11 June 2018, the Company announced that the Financial Model ("FM") and updated tariff proposal had been accepted by CMEC and GE for submission to EDM and MIREME.
- On 26 July 2018, the Company announced the formal submission of the updated tariff proposal to the Mozambican state power utility EDM and MIREME.
- On 30 September 2018, the Company announced that Christiaan Schutte had resigned as a non-executive director of the Company, and from the board of the Company (the "Board").
- On 5 November 2018, the Company announced it had received a Letter of Support ("LoS") for the Project from MIREME and a signed Memorandum of Understanding ("MoU") with EDM.
- On 16 November 2018, the Company announced that a formal agreement to amend the US\$2.77 million loan facility ("Shareholder Loan") with certain of Ncondezi's Directors, Management and long term shareholders (together the "Lenders") had been reached with loan holders
- On 26 November 2018, the Company announced it had finalised the work program and timetable for the Project with CMEC and GE and submitted it to the liaison committee (the "Liaison Committee") setup and chaired by the Mozambican MIREME with representatives from EDM.

##### *Post balance sheet events*

- On 28 February 2019, the Company announced that following positive meetings with the Liaison Committee, the updated Project work programme and timetable targeting power on the grid by 2023 had been approved and the Company's strategic partners had confirmed that the process to conclude the Joint Develop Agreement ("JDA") could now move forward.
- On 14 March 2019 a total of 1,000,000 share options nil value subscription price vested at grant on 25 May 2018 were requested to be exercised. The equivalent to 1,000,000 new ordinary shares of no par value were issued.

- On 19 March and 1 April of 2019 a total of 1,000,000 warrants at subscription price of 5 pence per share issued on 25 May 2018 were requested to be converted into equity. The equivalent of 1,000,000 new ordinary shares of no par value were issued.
- On 5 April 2019, the Company announced it had entered into a term sheet with GridX, an African power developer, enabling it to enter into the JV focused on building and operating captive solar and battery storage solutions for the African C&I sector (the "Term Sheet").
- On 5 April 2019, the Company raised a total of £1.88m (US\$2.48m) before expenses, through a conditional placing and direct subscriptions of 28,856,060 ordinary shares in the Company at a price of 6.50 pence per ordinary share.
- On 29 April 2019, the Company announced it had joined the Mozambique government delegation in Beijing, China, for the Second Belt and Road Forum for International Cooperation. During the visit, Ncondezi, CMEC and GE held successful meetings with His Excellency Mr Filipe Nyusi, President of the Republic of Mozambique, the Governor of Tete and the Deputy Minister of MIREME.
- In the first half of 2019 a total of US\$935,000 of loan principal, rolled up previous redemption premiums plus interest was converted into equity equivalent to 7,193,328 ordinary shares being issued.

The Company will post its Annual Report and Accounts for the year ended 31 December 2018 ("2018 Annual Report and Accounts") to shareholders on 28 June 2019. A copy of the 2018 Annual Report and Accounts will be available on the Company's website [www.ncondezienergy.com](http://www.ncondezienergy.com).

#### Enquiries

For further information please visit [www.ncondezienergy.com](http://www.ncondezienergy.com) or contact:

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#### Note:

**The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain. If you have any queries on this, then please contact Hanno Pengilly, Chief Development Officer of the Company (responsible for arranging release of this announcement) on +27 (0) 71 362 3566.**

**Ncondezi Energy** owns 100% of the Ncondezi Project which is strategically located in the power generating hub of the country, the Tete Province in northern Mozambique. The Company is developing an integrated thermal coal mine and power plant in phases of 300MW up to 1,800MW. The first 300MW phase is targeting domestic consumption in Mozambique using reinforced existing transmission capacity to meet current demand.

## Chairman's Statement

Dear Shareholder,

The Company's core focus during the 2018 financial year has been to complete all necessary milestones required to conclude a binding JDA with potential strategic partners, CMEC and GE. Successful capital raisings in May 2018 and March 2019 through the placing of new shares raised £2.8 million before expenses, putting the Company in a position of financial strength to finalise the JDA process with its potential partners, enter into the JV with GridX and the resources to fund the first GridX C&I solar and battery storage project.

### Operations

The Company signed a Non-Binding Offer ("NBO") with CMEC and GE in October 2017, outlining their desire to acquire a minimum 60% equity stake in the Project, be responsible for all EPC and O&M services on a build own operate basis and lead project debt financing in conjunction with Ncondezi at Financial Close ("FC").

Large infrastructure projects like the Ncondezi Project, require access to significant capital and expertise in construction and operation to be realised. For any developer, identifying a credible partner with these traits represents a key project de-risking event. In CMEC and GE, Ncondezi has identified partners with the prerequisite expertise in development, construction and financing for projects such as Ncondezi. More specifically, CMEC and GE have existing operational experience in Mozambique and have recently commissioned a similar 660MW integrated coal mine and power plant project in Pakistan in early 2019, making them uniquely suited as the Company's potential strategic partners.

Since signing the NBO, Ncondezi has successfully completed all milestones set out by CMEC and GE to provide the necessary comfort to enter into the JDA. These included updating the Project financial model with input from CMEC and GE, delivering an updated power tariff proposal to EDM, receiving a LoS from MIREME for the development of the Project and sign off from the Mozambican Government appointed Liaison Committee on the Project's target commissioning date in 2023. As a result of this progress, CMEC and GE confirmed in late February 2019 that they were prepared to finalise the JDA and progress towards signature.

The JDA is currently at an advanced phase, with drafting near agreed form and CMEC and GE close to completing their necessary internal approval processes.

From a project perspective, the Company remains confident that it has one of the most advanced and competitive base load power projects in the region. Project optimisations during the financial year, resulted in a more than 10% reduction in the previously agreed tariff envelope and appears to sit at the lower end of previously agreed tariffs for operational projects in the country. The Project's advanced nature also puts it in the position of being one of the few, if only, projects which can deliver base load power onto the Mozambique grid by 2023, in line with current Government and EDM generation planning. In April 2019, the Company's successful attendance as part of the Mozambican Government delegation in China for the Second Belt and Road Forum for International Cooperation provided an opportunity to raise the profile of the Project and provide the Company's strategic partners with further support and comfort from government. These factors in combination with quality potential strategic partners, CMEC and GE, ensure that the project stands out as a unique opportunity for both the Mozambican Government and future potential investors.

From a market perspective, Mozambique's economy has benefitted from robust monetary policy implementation, and is expected to continue to improve despite the devastating damage caused by cyclones so far in 2019. National tariff price increases have been successfully implemented as part of Government's target to have cost reflective tariffs by 2021, further strengthening the financial position of EDM, the Project's 100% power off taker. Within the Southern African Power Pool, the average day ahead market prices have increased by 89% since the first introductory meetings held between EDM, CMEC, GE and the Company in February 2018, reflecting an improving export power market environment, a key revenue sector for EDM as one of the region's largest power exporters. All of these act as supportive market indicators from which to develop the Project.

In addition to the main Project, in early 2019 the Company announced its intention to enter into the solar and battery storage sector through a JV with GridX. The Company believes this represents a significant opportunity to complement its existing large scale baseload power project and access near-term low-risk annuity income streams which the Company believes has significant growth potential. GridX has a pipeline portfolio of over 15 potential African C&I solar and battery storage projects, 6 of which are considered to be at an advanced stage. Through the JV, Ncondezi will have the right (subject to certain conditions) to fund at least 50% of GridX projects that meet minimum Key Performance Indicators (“KPI’s”), including minimum 10% unlevered post tax internal rate of returns (“IRR”). Ncondezi has entered into a Term Sheet with GridX and paid US\$260,000 to secure exclusivity, the binding right of first refusal to fund at least 50% of GridX’s projects, and initiate drafting of definitive agreements (the “Definitive Agreements”) to enter into the JV. The Company expects to finalise the JV Definitive Agreements during Q3 2019. In addition, GridX has presented the first project for investment approval, which the Company is currently reviewing.

### **Financing**

In May 2018, The Company raised £950,000 before expenses through placing of 15,200,000 ordinary shares in the Company at a price of 6.25 pence per ordinary share.

On 25 May 2018, the Company granted share options in respect of 22,897,522 shares in the Company to its directors, executive senior management team and contracted personnel. Of the options granted, 61% are performance related and linked to delivery of specific milestones, 17% are in lieu of director remuneration and the balance of 22% is in lieu of senior management, ex-employees and consultants remuneration.

On 28 September 2018, the Company announced the Christiaan Schutte had resigned as non-executive director of the Company and from the Board due to a new senior role at a large power company in South Africa that would not allow him to continue in his existing role at the Company. Christiaan was a significant contributor to the development of the Company over the last 5 years, and his deep experience in the southern African power sector has been invaluable. Since his resignation, the Company has maintained close relations with Christiaan and has looked to work with him on a contracting basis for specific work streams suited for his expertise.

On 16 November 2018, the Company announced that formal agreement to amend the Shareholder Loan had been reached with loan holders. The amendments extended the maturity date of the Shareholder Loan to 30 November 2019 at an interest rate of 12%. Loan holders also have an option to swap debt for equity in full or in part at a conversion price of 10.0p per share until the 30 days before the new maturity date of the Loan with a further conversion right based on a 30% discount to 60 day volume weighted average price (“VWAP”) at 30 November 2019, subject to certain restrictions outlined further on note 12. A total of US\$2.8 million has been drawn down under the Shareholder Loan and the repayment amount at maturity is now US\$4.7 million as at 26 June 2019 (US\$5.6 million as at 31 December 2018) as at 26 June 2019 including principal, rolled up previous redemption premiums, interest and loan holder conversion notices of US\$0.9m of principal, rolled up previous redemption premiums and interest received since year end. The Directors are exploring a number of potential refinancing and extension solutions for the Loan ahead of the 30 November 2019 maturity date. The financial statements have been prepared in anticipation of a positive outcome, but it is important to highlight that although negotiations with the new partner are at an advanced stage, there are no binding agreements in place. The Company has also been exploring options to raise additional funding and refinance or convert the Loan however there can be no certainty that any of these initiatives will be successful.

In April 2019, the Company raised £1.88 million before expenses through placing of 28,856,060 ordinary shares in the Company at a price of 6.50 pence per ordinary share.

### **Michael Haworth**

Non-Executive Chairman  
27 June 2019

## Operations Review

Ncondezi is focused on the phased development of an integrated coal fired power plant and mine, commencing with 300MW first phase. The project is located near Tete in northern Mozambique.

Ncondezi has also entered the captive solar and battery storage sector through a proposed JV with GridX, to develop, build and operate power solutions for the African C&I sector.

### **Joint Development Agreement with CMEC and GE**

#### Non-Binding Offer

On 20 October 2017, the Company announced that it had agreed in principle terms of a NBO with CMEC and GE. On 9 November 2017, the Company announced that the NBO had been signed. The NBO was part of a new partner process which was launched in May 2017.

The NBO sets out the terms, work programme and timetable by which the parties will work together to execute a legally binding JDA.

The key terms of the NBO include:

- CMEC and GE to acquire a minimum 60% stake in both the Power Project and Mine Project holding companies which currently hold 100% of each project respectively.
- JDA will set out the commercial terms on which the parties will complete the acquisition and jointly develop and fund the integrated project up to and including FC.
- The Power Project and the Mine Project will be developed as an integrated project, with CMEC and GE taking full responsibility for EPC and O&M contracting.
- CMEC and GE will take full responsibility for managing the EPC process for the transmission line, which will be constructed on a Build Transfer model, subject to EDM approval.
- CMEC and GE to lead project debt financing in conjunction with Ncondezi for both the Power Project and Mine Project at FC.
- Funding ratios to be adjusted should CMEC and GE take an equity stake larger than 60%.
- The power plant generation technology will return to circulating fluidised-bed (“CFB”) boiler technology from pulverized coal (“PC”) boiler technology. This provides a number of advantages to the Project including the technical feasibility work being more advanced on a CFB solution, reduced time required to reach FC and lower coal costs as CFB fuel requirements are more suitable for Mozambican coal qualities.

#### Background to Non-Binding Offer

The NBO was signed as part of a new partner search launched in May 2017, which focused on identifying a partner capable of providing a leadership role in the financing, construction and operation of the Power Project, with a credible track record in both the global and African power sectors.

CMEC is a large Chinese integrated company with international reach and engineering contracting as its core business. CMEC’s project experience, technical ability, and financing capacity, has allowed it to undertake projects in more than 150 countries in the fields of international contracting and general international trade. CMEC’s contracting business involves a broad range of areas such as electric power and energy, transportation, electronic communication, water supply and treatment, housing and architecture, manufacturing and processing plant, environmental protection, mining and resource prospecting. As a world-renowned engineering contractor, CMEC has been ranked among China’s top 10 contractors by business turnover from overseas contracted projects by the Chinese Ministry of Commerce for many consecutive years.

GE is a world energy leader that provides technology, solutions and services across the entire energy value chain from the point of generation to consumption. GE’s power business is transforming the



electricity industry by uniting all the resources and scale of the world's first digital industrial company. GE's customers operate in more than 150 countries, and together power more than a third of the world to illuminate cities, build economies and connect the world.

CMEC and GE have jointly worked on numerous projects across the world and successfully completed a number of power projects in the sub Saharan African region. Most relevant to Ncondezi, the two parties are currently working together on the Thar Block II Power Plant project in Pakistan, which is a 660MW integrated coal fired power plant and mine which utilises two 330MW CFB boilers and due to be commissioned in 2019.

#### Experience in Mozambique

Both CMEC and GE have successful track records operating in Mozambique.

CMEC has been involved in supplying and installing transmission infrastructure to EDM, improving access to electricity for Mozambicans and new industry development. In 2015, CMEC completed a 110kV transmission line project in Nacala City in northern Mozambique and in 2017, CMEC signed an EPC contract for a 400kV transmission line project in the same location. CMEC is also an EPC contractor for the Moatize to Macuse railway and port project designed to provide a new coal transport corridor from the Tete region.

GE has been present in Mozambique for over four years with offices in Maputo and over 44 employees. GE is active in multiple sectors including the transport, health care, oil and gas and energy sectors. To date, GE has supplied over 120 locomotives, installed ten 4.4MW power units for the Kuvananga gas IPP project and is to provide technology solutions and services to ENI's US\$7 billion Coral South LNG project in the Rovuma Basin. In addition, GE is working on initiatives to improve access and quality of basic and diagnostic services of rural healthcare and reduce infant mortality rates. This work is run in parallel to GE's local skills development programmes which include scholarships, funding of educational facilities and the provision of local courses.

#### JDA process update

As part of the JDA process, the following milestones have been achieved:

- Site visit by CMEC and GE to inspect the Ncondezi Project's proposed development sites.
- In principle support received from EDM and MIREME for CMEC and GE to act as Project strategic partners.
- Updated Project EPC and O&M proposals submitted by CMEC and GE for review.
- FM updated and accepted for submission to MIREME and EDM by CMEC, GE and the Company.
- Receipt of LoS for the Project from MIREME.
- Sign off on the Project work program and timetable from the Liaison Committee, setup and chaired by MIREME.
- Confirmation from CMEC and GE that all key milestones had been met to proceed with final negotiations to conclude the JDA.

The JDA is currently at an advanced phase, with drafting near agreed form and CMEC and GE close to completing their necessary internal approval processes.

The JDA is expected to formally set out the terms on which the Project will be developed, funded and operated by all parties. At this stage, the Company does not expect the terms of the JDA to materially differ from those outlined in the signed NBO. Key terms expected to be covered in the JDA include:

- Project equity ownership structure
- Project investment structure
- Project management and budgeting process

Once executed, the Project development program will focus on delivering the key milestones to achieve first power on the grid in 2023. This process is expected to start with the submission of a final tariff offer to the Liaison Committee and EDM for review and approval, which the parties are looking at fast tracking with the existing EPC and O&M proposals. Following this, the Company expects to formally enter into Power Purchase Agreement (“PPA”) and Power Concession Agreement (“PCA”) negotiations with EDM and MIREME respectively. The two agreements represent the final commercial negotiations before the Project enters the project financing phase, which is followed by commencement of Project construction at Financial Close.

From a timing perspective, the current development timetable has been agreed as follows:

- Q4 2019 – Formal submission of final tariff
- Q1 2020 – Tariff agreed, initiation of PPA and PCA negotiations
- H1 2020 – PPA and PCA finalised
- H1/2 2020 – Financial Close
- 2023 – Project commissioning – first power on the grid

#### Results of Integrated Financial Model

At the end of April 2018, the Company received updated and completed EPC and O&M proposals and began a process to review and update the FM. The Company completed its review of the FM on 3 May 2018 and submitted it to its potential partners for review and acceptance. The Company’s potential partners completed their review of the FM and approved its submission to EDM and MIREME in June 2018.

The updated FM has been completed targeting a revised tariff that the Company and its potential partners believe will be attractive to EDM. Meetings with EDM in January 2018 indicated that the historical tariff agreed was no longer competitive given downward pressure in regional tariff rates and would need to be revised down. Based on benchmarking of new and competing projects in Mozambique and the southern African region, the Company and its potential partners targeted a new tariff lower than the previously agreed tariff envelope with EDM.

The specific tariff rate and target returns in the updated FM are commercially sensitive and still to be negotiated with EDM. The FM is based on the Project generating a gross 300MW at a target tariff rate in excess of 10% lower than the tariff envelope previously agreed with EDM, paid on an annual basis for 25 years.

With the lower tariff target, it was essential that improvements were identified to protect the Project equity IRR agreed in the previous tariff envelope. This was achieved primarily through the choice of technology (moving from PC to CFB boiler technology), integration of the power and mine projects and optimisation of common infrastructure capex. Of key importance was the ability to link boiler design to the most cost effective coal product produced from the mine. This allows the Project to minimise coal costs to the power plant which is achieved through integration of a dedicated coal supply. Ncondezi is the only power project in Mozambique with a dedicated coal fuel source for in country power generation.

In addition to the lower proposed tariff envelope, the Project is also expected to significantly benefit Mozambique through tax receipts and royalties over the life of the Project which are estimated to be between US\$1.1 to 1.4 billion. This is in addition to local skills development and thousands of jobs during construction and hundreds of jobs during operation, as well as the economic multiplier effect of providing stable cost effective power to the north of Mozambique.

The FM results are not final and subject to change based on a number of factors including the finalisation of tariff negotiations with EDM, debt terms with commercial banks, technical and operating assumptions and EPC and O&M contracts.

## **Joint Venture with GridX**

On 5 April 2019, the Company announced that it entered into the Term Sheet with GridX, an African power developer, enabling it to enter into a JV focused on building and operating captive solar and battery storage solutions for the African C&I sector.

### *Background to the GridX JV*

Since Ncondezi transitioned from a coal exploration business into an integrated power plant and mine project, the Company has built up significant Sub-Saharan African power development expertise and has been evaluating a number of alternative power projects over the last 8 months that would complement its existing 300MW Ncondezi Project in Tete, Mozambique. This process led to the identification of the GridX opportunity in the C&I sector, and is outlined in more detail below.

### *C&I Solar and Battery Storage Sector Overview*

Inadequate access to electricity in Africa both in terms of connections and reliability has driven demand in the C&I sector for self-generation (or “Captive”/“Embedded”) power solutions. Renewable energy solutions are estimated by the International Renewable Energy Agency (IRENA) to make up nearly half of African supply by 2030 and the Company estimates that this market could be worth up to US\$34 billion a year.

Traditionally, captive power solutions have relied heavily on diesel generation. The Company Directors believe this dynamic has the potential to change with the advent of low cost solar and battery storage. Solar and battery storage solutions are increasingly making economic sense with potential cost savings of 30% or more versus traditional off grid diesel generation solutions and providing a price shield against escalating fuel and grid prices. In particular, cost effective battery storage has allowed greater solar penetration into the market by removing its intermittent power constraints and maximising energy generated. Solar and battery storage equipment is modular and pre-fabricated, making it easy and quick to install and in more places. Generation regulations are also less onerous as installations typically do not require additional licensing.

Solar and battery storage meets the growing pressure for corporate sustainability and zero emissions from investors and consumers. It also has low maintenance costs primarily due to the lack of moving parts compared to a diesel generator.

According to Bloomberg New Energy Finance, solar and battery storage costs have fallen 84% and 76% since 2012, and are expected to become even more cost competitive with the cost of solar PV panels expected to fall a further 37% by 2025 and battery storage costs by a further 67% by 2030.

In addition, there are significant ancillary benefits of solar and battery storage projects, including:

- Reduced fuel storage and theft risks
- Reduced fuel logistics costs
- Reduced emissions
- Reduced noise pollution
- Peak shaving – reduces peak period high cost energy demand from grid
- Supply stability – backup, frequency & voltage control

Finally, increasing amounts of capital is flowing into the sector with approximately US\$130 million raised in the African captive power renewables sector (C&I and home solutions) over the last 15 months. The World Bank has also committed over US\$1 billion for investments in battery storage for developing and middle income countries. Increasingly, smaller scale solar and battery storage projects are being recognised for their low risk and stable returns. Growth potential and sustainability goals are also driving major utilities and oil majors into the sector with Enel, Engie, EDF, Shell and Total all entering the sector (mainly through acquisitions and partnerships).

### *Overview of GridX*

GridX is a power developer focused on delivering competitive sustainable energy solutions in the African C&I sector. GridX identifies C&I energy users who have either no or poor quality grid access and are



dependent on diesel power generation. Capital requirements per target project average between US\$0.5 million and US\$2.0 million, and typically has a projected 9-12 month construction timeframe. Each project will seek to have a 10 to 15 year US\$ denominated power offtake contract. Project returns are attractive with minimum targeted post tax unlevered equity IRR between 10% and 15%+, compared with 6% and 10% in developed economies. Ncondezi believes that these returns can be further increased through leverage.

GridX has in-house resources to produce construction ready projects and is technology agnostic which allows for competitive technology selection on every project.

In January 2019, GridX delivered its first project in Tanzania. The project was designed for Singita Grumeti, a luxury game lodge, and involved the installation of a 189 kWp solar plant and 522kWh battery storage unit from Tesla. The battery storage unit is believed to be the first Tesla installation in Tanzania. GridX expects that the project will replace over 100,000 litres of diesel consumption annually and result in an annual US\$150,000 reduction in diesel costs.

GridX's Directors own 70% of GridX, 15% is held by Eden Renewables, an international solar and storage development company, currently developing projects in the US and UK, 10% by Pan African Group, a private equity and investment banking firm focused exclusively on Sub-Saharan Africa, and the balance of 5% is held by a private individual. GridX was founded by Executive Directors Chalker Kansteiner and Justin Pengilly, who have both been working in the African power development sector for a number of years. Chalker was previously at Blackstone's large scale African energy project developer, Black Rhino, whilst Justin previously worked at Pele Green Energy, one of South Africa's leading independent power producers in the renewable energy sector (and is the brother of Hanno Pengilly, the Company's Chief Development Officer).

#### GridX Pipeline

GridX's current development pipeline includes 15 projects in various stages of development with 6 advanced stage projects projected to enter construction in the next 18 months. Potential pipeline projects include luxury resorts, manufacturing facilities, port facilities and agri-businesses, with flexible design solutions for either off grid or on grid requirements. The advanced stage projects have a potential 1.4MWp of solar and 8.9MWh of battery storage, and are concentrated in Mozambique, Djibouti and Zambia. The current estimated project cost for the advanced stage projects is US\$9.5 million (100% equity basis), with the right of first refusal giving Ncondezi the right to fund a minimum of 50% of the equity requirement.

GridX is targeting its first new project to start construction in Q3 2019 with first cash flows by the end of Q4 2019/beginning of Q1 2020. GridX has indicated a total capital cost for the first project to be US\$1.1m, which the Company has provisionally allocated funds for from the successful April 2019 fundraising, subject to the approval of the project and relevant documentation. In addition, GridX has presented the first project for investment approval, which the Company is currently reviewing.

#### Term Sheet Overview

Ncondezi has signed a Term Sheet with GridX to acquire a ROFR to fund GridX C&I projects through a newly setup JV.

It is intended that GridX's role under the JV will be to deliver US\$20m of construction ready African C&I projects to the JV (the "GridX Pipeline"). Each project must either meet a minimum set of KPI's or have the KPI's waived by both parties before funding takes place ("Approved Project"). Ncondezi will have the right to elect to fund a minimum of at least 50% of the Approved Projects' equity requirement. Funding from Ncondezi will be provided on a project by project basis. GridX will have the right to fund up to 15% of the Approved Projects' equity requirement as well as a right to introduce a third party investor to fund the remaining 35%. Ncondezi will have an additional right to elect to fund any funding shortfalls should funding from either GridX or a third party investor not materialise, in the event that Ncondezi wishes the project to proceed.

The key KPI's include:

- projects located in approved jurisdictions;
- project size between US\$100,000 and US\$10,000,000;
- minimum post tax unlevered equity IRR of 10% to the JV;
- use of proven technologies;
- bankable offtake denominated in US\$;
- completion of credit checks on potential clients with additional credit support in place where required;
- finalised EPC and O&M contracts in place; and
- all consents and permits required to start construction are in place.

The Term Sheet sets out a phased approach to setting up the JV and funding projects:

1. Phase I  
Ncondezi has made an upfront payment of 2/3rds of the GridX Fee of US\$390,000 to GridX on 24 April 2019 to secure an initial 120 day exclusivity and the ROFR for the GridX Pipeline to give both parties time to agree Definitive Agreements. GridX will use funds of US\$260,000 (the "Initial Payment") to cover third party legal, structuring and tax advice costs to setup the JV and draft the Definitive Agreements to be entered into between the parties.
2. Phase II  
Payment of the Initial Payment will give Ncondezi a ROFR to fund at least 50% of the equity requirement of any Approved Projects. Whilst the Definitive Agreements are being finalised and to facilitate delivery of the first projects, Ncondezi has conditionally agreed to evaluate funding of the 6 advanced stage projects with a total funding of up to US\$2.0 million on a combined project basis. Ncondezi has the right to elect whether to fund such projects before the Definitive Agreements are entered into (the "Initial Investments"), and has provisionally allocated US\$1.1 million from the successful April 2019 fundraising towards the first project, once approved and documentation for this project is agreed.
3. Phase III  
A final payment of 1/3rd of the GridX Fee is due on the later of execution of the Definitive Agreements or the first project reaching commercial operations. The Definitive Agreements will create a clear framework for making future investments and the management of the portfolio of operational projects.

The phased approach allows the Company and GridX to deliver certain projects (subject to available funding) before finalisation of the Definitive Agreements demonstrating proof of concept, and the setup of the appropriate investment vehicle to warehouse all of the future projects before additional funding is considered for the rest of the portfolio.

The JV investment structure will be designed to optimise warehousing of Approved Projects in various African jurisdictions; minimising operational costs and minimising tax leakage. GridX will be responsible for the JV setup costs. Before the Definitive Agreements have been executed, the parties intend to agree a simple special purpose vehicle funding structure for Approved Projects, with the intention that these projects will be incorporated into the JV structure at a later stage.

As part of its ordinary course business as a developer, GridX is expected to be entitled to a capped development fee for each Approved Project, included as part of the project capital cost. Ncondezi will have a right to participate in any development fee for projects it sources that are funded through the JV.

GridX is expected to provide O&M services for each Approved Project in accordance with market-related commercial terms for projects of a similar nature, contracting directly with the power offtaker. GridX is also expected to be appointed to manage the JV for an annual fee of approximately 1.5% drawn project capital. It is expected that the management agreement can be terminated by the Company should GridX fail to meet agreed KPI's.

Certain incentives to encourage GridX to achieve the best returns for each project, will be paid through a profit sharing mechanism where an equity IRR hurdle of above 10% is achieved by Ncondezi.

### Advantages to Ncondezi

The Company Directors believe the JV with GridX has the potential to deliver a number of advantages for Ncondezi, namely:

1. *Complementary to existing Ncondezi Project*  
JV provides diversification from coal baseload power generation into captive solar and battery storage small scale renewable and energy storage projects. From a cash flow perspective the smaller, easier to install solar and battery storage projects potentially provide near term cash flows before the Ncondezi Project target commissioning in 2023. The smaller capital cost requirements also negate the need for a large strategic partner.
2. *JV Structure*  
JV structure provides minimal distraction and additional resources to the Company, as GridX will take full responsibility for development work and costs to deliver construction ready projects for funding review. This also minimises potential distractions from the main Ncondezi Project.
3. *Strong market fundamentals*  
Solar and battery storage projects have become economically competitive with traditional captive power solutions (diesel generators), and further reductions in the cost of solar and battery storage will ensure competitiveness continues into the future. Added to this, the ancillary benefits (noise and emission reductions etc.) and increased pressure for sustainable energy sourcing further strengthen customer investment rationale to invest in these solutions.
4. *Potential low risk annuity business with significant growth potential*  
The JV provides an option to fund 50% of potential US\$20m GridX project portfolio, with 6 projects in an advanced stage targeted to be operational over the next 18 months. These construction ready projects with attractive US\$ denominated 10 to 15 year bankable offtake contracts significantly reduce risks. In addition, the diversified portfolio approach has de-risking effect on portfolio level returns which is potentially attractive to external investors in the future.
5. *Attractive project fundamentals and target returns*  
The proposed projects are low capex and generate cash flows within 12 months. The minimum 10% unlevered post tax IRR KPI sets a projected return floor for each project. These returns represent a premium return when compared to those in more developed power markets and can be improved further through higher delivered project IRRs and gearing.
6. *First mover advantage*  
The African market is at an early stage of development with annuity income investors, utilities and oil companies seeking to enter the sector but slow to move. With a diversified portfolio of renewable C&I projects in one structure, the Company believes that the JV could ultimately represent an attractive investment opportunity to development funding institutions, annuity income renewable energy funds, utilities and energy companies and private equity funds.
7. *Risk Mitigation*
  - Technology risk – utilising established solar and battery technologies from leading suppliers
  - Regulatory risk – utilising existing land and permitting licenses
  - Tariff risk – negotiating unregulated tariffs directly with power consumers
  - Payment risk – credit checks, shareholder guarantees and termination payments
  - Performance risk – equipment performance guarantees from suppliers for the life of the offtake agreement

### Exclusivity and Right of First Refusal

Following payment of the Initial Payment, Ncondezi has exclusivity and a ROFR for 120 days to conclude and execute the Definitive Agreements, subject to it electing to fund any initial projects presented during this period which meet the KPI's (up to a maximum of US\$2.0 million in aggregate).

This is automatically extended for up to an additional 180 days if the Definitive Agreements have not been executed and Ncondezi has elected to fund all Approved Projects as they become available for

funding during the first period of exclusivity (up to a maximum of US\$2.0 million in aggregate) and continues to fund at least 50% of all projects presented during this 180 day period which meet the KPI's.

After this second period of exclusivity, if the Definitive Agreements remain unexecuted, but Ncondezi continues to fund at least 50% of all projects presented during this period which meet the KPI's, Ncondezi has a right to match any project funding for a further 180 days.

If the Term Sheet is terminated by either party during the initial 120 day exclusivity period or in the 180 days after that, provided that the second 180 day extension to the exclusivity period is not triggered, GridX will refund US\$100,000 of the Initial Payment to Ncondezi.

Following execution of the Definitive Agreements and the first project being successfully commissioned, it is expected that Ncondezi's ROFR will allow it to accept or reject funding of Approved Projects, however there are limits to the number of rejections Ncondezi can give and it will no longer have a ROFR if it exceeds these limits over a 6 to 12 month period.

It is emphasised that notwithstanding that it has agreed the Term Sheet there can be no certainty that Ncondezi will elect to fund any projects in order to maintain ROFR during the exclusivity period, that it will agree the terms on which any such investments will be made or agree the definitive documentation for the JV.

## **Shareholder Loan**

### Background

On 11 May 2016, the Company announced that it had secured the Shareholder Loan with the Lenders.

The Shareholder Loan was intended to provide the Company with bridge funding for its corporate overheads while it completed a set of investment conditions to make a JDA effective with a previous potential strategic partner Shanghai Electric Power Co. Ltd ("SEP").

On 31 August 2016, Africa Finance Corporation ("AFC") agreed to accede to the existing Shareholder Loan and its terms, advancing Ncondezi up to US\$3.0 million, with an initial tranche of US\$1.0 million ("Tranche A") and a further tranche of US\$2.0 million ("Tranche B") with Tranche B conditional amongst other things upon the fulfilment of certain conditions precedent, the completion of the JDA and Ncondezi providing an appropriate security package.

Tranche A was drawn down in accordance with the existing Shareholder Loan terms (set out in the announcement dated 11 May 2016), some of which have been amended subsequently. A catch up advance of US\$960,000 was paid to Ncondezi as an upfront payment on 2 September 2016, which was equivalent to AFC's pro rata payment alongside the existing drawdown from Lenders.

Tranche A was utilised to fund project development costs in accordance with an agreed budget.

Repayment of the Shareholder Loan (comprising the existing Shareholder Loan and initial US\$1.0 million Tranche A from AFC) was initially payable by no later than 10 May 2017, however on 11 May 2017, the Company agreed an amendment to the repayment terms, with repayment due on 2 September 2017. On 2 September 2017, the Company entered into a formal agreement to extend the total Shareholder Loan repayment date to 2 September 2018.

Under the terms of the Shareholder Loan the cost of the loan was 1.5x (comprising 1.0x principal and 0.5x return) if repayment was made by 10 May 2017 and increased to 2.0x if repayment was post 10

May 2017. The cost of the Shareholder Loan was 2.0x the draw down amount (comprising 1.0x principal and 1.0x return) as repayment was not made by 10 May 2017.

Tranche B has lapsed and is not available for drawn down as it was subject to certain conditions precedent including the finalisation of the previous JDA with SEP.

On 23 June 2017, the Company entered into an amendment ("New Loan") to the original Shareholder Loan with an additional funding of US\$350,000. The financing was committed by the Chairman Michael Haworth (US\$200,000) and other existing long term shareholders (US\$150,000). The New Loan

received a 1.25x return at its maturity on 2 September 2017. On 2 September 2017, the Company entered into a formal agreement to extend the New Loan repayment date to 2 September 2018.

As part of this same amendment the senior management team of the Company agreed to convert their deferred 50% salary between November 2016 and January 2017, and a percentage of their salary since February 2017 into the existing Shareholder Loan. The total amount is US\$232,000, but this sum does not attract any interest.

At July 2017, a total of US\$2,774,545 had been drawn down under the total Shareholder Loan, this total includes the US\$232,000 deferred salaries. Refer to note 12 for further details.

### Current year restructuring

On 16 November 2018, the Company announced that a formal agreement to amend the Shareholder Loan (the "Loan") has been reached (the "Loan Restructuring") with loan holders the key terms of which are detailed below.

At the date of the restructuring the Loan payable stood at US\$5.1m. At 26 June 2019 the repayment amount due on 30 November 2019 will be US\$4,712,973 which includes principal, rolled up premiums under the previous loans, interest. The Company has received loan holder conversion notices of US\$935,133 of principal and interest since year end.

### *Loan Restructuring Amended terms*

1. Loan Repayment Date:

The Loan term has been extended from 2 September 2018 to 30 November 2019.

2. Interest:

Interest on the outstanding Loan amount shall accrue from 15 November 2018 at the rate of 12% per annum payable in arrears on the earlier of conversion into equity or repayment of the Loan (specific to each Lender). Interest shall be calculated on the basis of a 365-day year.

The interest rate represents a significant reduction in the effective interest rates historically incurred on the Loan e.g. in June 2017, the Company raised an additional US\$350,000 at a 1.25x return.

3. Voluntary Prepayment:

The Company may, at any time prior to 1 November 2019, prepay the whole or any part of the Loan provided that:

- (a) the Company gives the Lenders written notice specifying the aggregate amount the Company wishes to prepay and the specific amount to be paid; and
- (b) the lenders have 3 business days to exercise the First Conversion and give the Company a conversion notice.

4. Debt for Equity Swap:

For so long as any part of the Loan remains outstanding:

- (a) First Conversion: Lenders shall be entitled to convert all or part of their portion of the Loan (in multiples of US\$1,000) into fully paid ordinary shares of the Company at a 10.0p conversion price from the date of this announcement until 1 November 2019 (the "First Conversion"); and
- (b) Second Conversion: if Lenders who are owed (in aggregate) not less than 50.1% of the outstanding principal amount of the Loan from 1 November 2019 until maturity provide a conversion notice to the Company, all amounts outstanding under the Loan shall convert into fully paid ordinary shares of the Company at a



conversion price the higher of the 30% discount to the 60 day VWAP at 30 November 2019 or 5.2p (the “Second Conversion”).

The First Conversion price represents a premium of 50% to the closing share price on 15 November 2018, the day before the Loan Restructuring was announced.

The maximum number of shares that can be issued under the First Conversion is 38.9 million new shares, or a 12.1% dilution. To date, conversion notices in relation to 7,193,328 shares have been executed since the year end, reducing the Shareholder Loan by US\$935,133 of principal, rolled up previous redemption premiums and interest.

The Second Conversion is only executable if Lenders representing no less than 50.1% of the outstanding Loan principle at the time elect to convert. This prevents any single Lender from having negative control over a decision to convert. The minimum conversion price represents a discount of 22% to the closing price on 15 November 2018, and restricts the maximum number of shares that can be converted to 84.6 million, which would represent a maximum dilution of 23.1% to shareholders. The Second Conversion has been agreed to provide Lenders and the Company with an alternative repayment mechanism in the event that the Company has not repaid the Loan during the new term.

The US Dollar to British Pound exchange rate has been fixed for any debt for equity swap at US\$1.3 to £1.0. Refer to note 12 for further details.

#### **Development Program to Financial Close**

The Project is at an advanced level of development and will be advanced once the JDA has been executed and the Company focusses on achieving FC. The Company expects FC to take between 12 and 18 months post JDA execution.

## Financial Review

### Results from operations

The Group made a loss after tax for the year of US\$3.5 million compared to a loss of US\$1.7 million for the previous financial year. The basic loss per share for the year was 1.3 cents (2017: 0.7 cents).

Administrative expenses totalled US\$1.5 million (2017: US\$1.1 million). Administrative expenses refer principally to staff costs, professional fees and travel costs and underlying administrative expenses, which have increased due to restarting the processes of engaging with new strategic partners and advancing the integrated power and mining project.

Share based payment charges totalled US\$1.3 million (2017: Nil) in respect of awards granted in the year as set out on note 14 and warrants issued to a consultant.

The loss after tax includes a US\$0.7 million (2017: US\$0.64 million) finance cost. In 2018, the finance cost was associated with the amortisation of the redemption premiums comprising US\$1.1 million in respect of amortised redemption premiums prior to restructuring and US\$0.1m of effective interest charges on the convertible loan host liability with US\$0.3 million of fair value changes on the derivative.

### Financial Position

The Group's statement of financial position at 31 December 2018 and comparatives at 31 December 2017 are summarised below:

	2018 US\$'000	2017 US\$'000
Non-current assets	18,272	18,313
Current assets	478	697
Total assets	18,750	19,010
Current liabilities	5,508	4,620
Total liabilities	5,508	4,620
Net assets	13,242	14,390

Capitalised additions totalled US\$0.01 million (2017: US\$0.05 million) principally in respect of the Power Project. The carrying value of the non-current assets was assessed for impairment and no impairment was noted as detailed in note 2.

The increase in current liabilities principally relates to the Shareholder Loan, together with accrued interest.

### Cash Flows

The net cash outflow from operating activities for the year was US\$1.4 million (2017: US\$0.9 million).

The cash outflow principally represented administrative costs for the year with limited working capital movements.

Net cash from investing activities was US\$0.02 million (2017: US\$0.08 million), mainly related to disposal of plant and equipment in Mozambican subsidiary offset by development activities incurred on the Power Project.

Net cash from financing activities was US\$1.2 million (2017: US\$1.3 million) related to the share issues in 2018.

The resulting year end cash and cash equivalents held totalled US\$0.4 million (2017: US\$0.6 million). As at 21 June 2019 the Company held cash and cash equivalents totalling US\$1.9 million.

### Outlook

As at 21 June 2019 the Group had cash reserves of approximately US\$1.9 million. Based upon projections, which are subject to the Shareholder Loans being converted, extended or restructured and include corporate costs, project costs to progress the Project and planned expenditure related to first potential C&I project presented as part of the planned GridX JV, the Group will be funded until the

beginning of December 2019 although the expenditure on the first GridX JV project is not yet binding and in the absence of such planned expenditure the Group is funded until Q4 2020. However, the forecasts

remain subject to the Shareholder Loan being extended or restructured. The Loan of US\$4.7 million (principal, historic redemption premium and interest) matures on 30 November 2019, and the Company is currently evaluating options to execute a debt for equity swap or, prior to 1 November 2019, prepay the whole or any part of the loan with the remainder subject to a debt for equity swap.

The Directors continue to explore options in respect of raising further funds to continue with the power plant and mine development programmes. 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.

In addition, notwithstanding the Loan, further funding will be required as detailed above to meet operating cash flows under current forecasts or in the event of accelerated project advancement. The Directors are exploring a number of funding and working capital solutions beyond the 30 November 2019 maturity of the Loan. The financial statements have been prepared on a going concern basis in anticipation of a positive outcome but it is important to highlight that there are no binding agreements in place and although the Company has also been exploring options to raise additional funding and refinance or convert the Loan; there can be no certainty that any of these initiatives will be successful.

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

## Environmental and Social Responsibility

Ncondezi's Social Development Programme has been put on hold pending positive development being made on the JDA.

Achievements from previous years include:

- 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 more remote 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.

## Director's Biographies

### **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. Mr Haworth was previously a Managing Director at J.P. Morgan and Head of Mining and Metals Corporate Finance in London.

### **Estevão Pale / 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 Executive Director of one of the Polenergia Group subsidiaries, a Polish Independent Power Producer one of Poland's largest private investment companies and a subsidiary of Kulczyk Holding SARL. Mr Jacek is a nominated Non-Executive Director by Polenergia.

During his career, he has held senior executive positions at Polenergia Group 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 Kracow and an MBA from the University of Chicago.

### **Aman Sachdeva / Non-Executive Director**

Aman 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. Mr Sachdeva is a nominated Non-Executive Director by AFC.



## Director's Report

The Directors present their annual report and the audited group financial statements headed by Ncondezi for the year ended 31 December 2018.

### 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, the Operations Review and in the Financial Review.

### 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 below.

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 notes 1 and 19.

### Key performance indicators

The key performance indicators of the Group are as follows:

	2018	2017	2016
Mine exploration expenditure (US\$'000)	7	3	13
Power development expenditure (US\$'000)	25	48	249
Share price at 31 December (pence)	5.65	3.63	5.3
Cash at bank at 31 December (US\$'000)	424	614	152

### Results and dividends

The results of the Group for the year ended 31 December 2018 are set out below.

The Directors do not recommend payment of a dividend for the year (2017: nil). The loss will be transferred to reserves.

### Events after the reporting date

See note 22 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 19 of the financial statements.

### Going concern

As at 21 June 2019 the Group had cash reserves of approximately US\$1.9 million. At the current average working capital burn rates the Company current cash position is sufficient to cover operating costs and Power Project related costs until Q4 2020 subject to the Shareholder Loan being converted, extended or restructured. Under the forecasts, which also include planned but currently non-binding expenditure in respect of the first potential C&I project presented as part of the planned GridX JV, the Group will be funded until the beginning of December 2019, subject to the Shareholder Loan being fully converted, extended or restructured. However, this could be reduced in the event of accelerated Project advancement post signing of the JDA or the Company electing to invest in further potential C&I projects presented as part of the planned GridX JV. Details on going concern are contained in note 1 of the financial statements.

## Directors and Directors' interests

Director	Note	Appointment date	Ordinary Shares held 31 December 2018	Ordinary Shares held 31 December 2017
Michael Haworth	1	01.06.12	16,468,087	16,468,087
Jacek Glowacki	2	28.10.13	-	-
Estevão Pale		03.06.10	-	-
Aman Sachdeva	3	21.05.15	-	-

1. Includes shares held by a trust of which Michael Haworth is a potential beneficiary.
2. Jacek Glowacki is Polenergia's nominated director. The Polenergia Group holds 29,111,719 ordinary shares representing 10.31% of the issued Ordinary Shares as at 31.12. 2018 and 9.09% as at 26.06.19.
3. Aman Sachdeva is AFC's nominated director. AFC holds 54,988,520 ordinary shares representing 19.48% of the issued Ordinary Shares as at 31.12.18 and 17.17% as at 26.06.19.

### 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 will offer himself 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 are set out below.

### 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

27 June 2019

## Risk Factors

Risk(s)	Potential Impact(s)	Mitigation Measure(s)
Financing risk	<p>The Group will need to restructure its existing loans by 30 November 2019 and secure investment from strategic investors and/or investment from co-developers to provide sufficient working capital for the next 12 months. Failure to do so may lead to the Group not being a going concern (see note 1). Additionally, project financing will be required to complete the Project and failure to secure such financing would result in failure of the Project and/or delay in its execution.</p> <p>To achieve Financial Close of the Project, the Group will also need to conclude some of its on-going negotiations on key project agreements, including the Power Concession Agreement (“PCA”) and the Power Purchase Agreement (“PPA”). Failure or delay in doing so may lead to failure of the Project and/or delay in its execution.</p> <p>To achieve investment in any GridX C&amp;I projects that meet the minimum KPIs, the Group will need to secure investment from strategic investors and/or investment from co-developers. Failure to do so may lead to loss of the Group’s ROFR on future GridX projects.</p>	<p>The Project is at an advanced level of development with the majority of technical work completed and advanced form PPA and PCA documents being agreed.</p> <p>Ncondezi has signed a NBO with new potential strategic partners and is negotiating a JDA which will provide financial support to the project both at the developmental stages to Financial Close as well as during construction. It is important to highlight that there is no certainty that the JDA will occur or additional funding will be raised.</p> <p>The Company is in discussions with the existing loan holders regarding restructuring of the loans, if necessary, together with exploring funding solutions to refinance the loans.</p> <p>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 a new partner, including select corporate overheads. Since October 2017, Ncondezi has had a successful track record in raising additional capital with £2.8 million before expenses raised to cover development costs during the year and since year end.</p> <p>The Company has allocated US\$1.1 million towards the first GridX C&amp;I project that meets all the KPI’s and is approved by the Group. The Company intends to engage with a range of potential financing partners with the objective of securing additional capital for future projects as the GridX pipeline of projects becomes more developed.</p> <p>The Directors’ will monitor the monthly cash burn rate to ensure the Group operates within its cash resources for as long as possible.</p>
Off-taker risk	<p>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 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.</p>	<p>The Company has substantially advanced the PPA and PCA through previous negotiations with EDM and MIREME. EDM has indicated its willingness to continue negotiations once the Company introduces an acceptable strategic partner and a new tariff proposal. Subsequent to signing the NBO, the Company received in principle support for its new partners and submitted an updated tariff proposal in July 2018 which is more attractive than the previously agreed tariff envelope from EDM’s perspective.</p>

		<p>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 off-taker for the Power Project either as a substitute or as additional power off-taker 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.</p>
<p>Competition from other power stations in Mozambique</p>	<p>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.</p>	<p>The Project is one of the most advanced projects in the region, making competition from nearby projects more difficult due to the time they require to catch up.</p> <p>Competing gas projects are mainly located in the southern part of Mozambique and are not able to supply the portion of the Mozambican power grid that the Power Project is to connect to in the north of the country.</p> <p>Additionally, 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.</p>
<p>Estimating mineral reserve and resource</p>	<p>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.</p> <p>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.</p> <p>The exploration of mineral rights is speculative in nature and is frequently unsuccessful. The Group may therefore be unable to successfully discover and/or exploit reserves.</p>	<p>Resources</p> <ul style="list-style-type: none"> <li>• Sign-off of resources by registered Competent Person ("CP").</li> <li>• Reporting resources in accordance with the JORC code</li> <li>• Classification of resources into a high level of confidence category</li> <li>• Conduct detailed geological modelling</li> <li>• The utilisation of accredited laboratories for the analyses of coal samples</li> <li>• QA/QC procedures according to best practices</li> </ul> <p>Reserves</p> <ul style="list-style-type: none"> <li>• Sign-off of reserves by registered CP</li> <li>• Classification of reserves into proven or probable reserves</li> </ul> <p>Detailed mine design and scheduling.</p>
<p>Coal risk</p>	<p>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.</p> <p>Not properly characterised coal resources may lead to incorrect boiler design and plant underperformance.</p>	<p>Further coal quality analysis will be conducted and supplied to the boiler supplier for finalisation of boiler design.</p>
<p>Transmission grid constraints</p>	<p>Available transmission capacity is allocated to other power generators.</p>	<p>A transmission agreement heads of terms have been signed with EDM and the</p>

		<p>Mozambican Government to ensure that available transmission infrastructure allocation is secured early and that proper evacuation infrastructure and capacities are available to the Project in line with the Group's strategy.</p> <p>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.</p>
Environmental and other regulatory requirements	<p>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 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.</p>	<p>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.</p> <p>Environmental Management and Social Development Plans have been advanced and are being implemented to satisfy national and international best practice.</p> <p>The Mine and Power Plant Environmental Social Impact Assessment (ESIA) have been conducted by independent, internationally recognised consultants, and have approved by the Mozambican Government.</p>
Climate Change Risk	<p>Increased awareness and action against climate change will put pressure on governments and financing organisations to reduce exposure to fossil fuel related power generation. This could affect future Mozambican Government policy towards coal fired generation and limit funding appetite for the Project.</p>	<p>Mozambique is a developing country with an energy generation mix that is heavily dependent on hydro power generation. Power generation from coal is seen as a key factor in reducing Mozambique's dependence on hydroelectric power (particularly in the north), where current generation is vulnerable to the extreme weather effects of climate change.</p>
Foreign Country risk	<p>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.</p> <p>Mozambique has recently defaulted on commercial loans resulting in donors and the International Monetary Fund (IMF) freezing aid to Mozambique, which may affect financing of the Project at Financial Close.</p>	<p>The Mozambican Government has been stable for many years and fosters a beneficial climate towards companies exploring for resources.</p> <p>The Mozambican Government is working with donors and the IMF to restore aid to the country, and an audit report into the defaulting loans has been commissioned as a first step to reaching a resolution. All parties have committed to resolving the issue in a reasonable and transparent manner to restore confidence in the country.</p>



## Corporate Governance Statement

The Directors of the Company have elected to follow the main principles of the QCA Corporate Governance Code. The QCA Corporate Governance Code identifies ten principles that focus on the pursuit of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which the company was created. In addition to the details provided below, governance disclosures can be found on the Company's website at <http://www.ncondezienergy.com/corporate-governance.aspx>

The Company is focused on the phased development of its large scale, long life, integrated thermal coal mine and 300MW power plant project (the "Project") which it believes offers the most achievable and financeable route to production, thereby delivering value for shareholders. The key risk factors that face the Group and their mitigation are set out above.

A statement of the Directors' responsibilities in respect of the financial statements is set out on Statement of the Directors' Responsibilities. 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 2018, the Board comprised a Non-Executive Chairman (Michael Haworth), and three further Non-Executive Directors (Aman Sachdeva, Estevão Pale, and Jacek Glowacki).

Under the UK Corporate Governance Code, (excluding the Chairman) none of the Non-Executive Directors would be viewed as independent. However, although Estevão Pale and Aman Sachdeva would not be viewed as independent under the UK Corporate Governance Code by virtue of the options that they each hold in the Company and, in respect of Aman Sachdeva, his role as CEO of Synergy Consulting (which provides consultancy services to the Company), the Directors believe that independence is not a state of mind that can be measured objectively and, given the character, judgement and decision making process of the individuals concerned, the Directors believe that Estevão Pale and Aman Sachdeva can be considered independent.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of natural resources, infrastructure and finance. For details of the Directors past experience, please refer to 'Director's Biographies' session set out below.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. As explained above, due to the relatively small size of the Group's operations, Directors 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 financial reporting.

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. In 2018 Estevão Pale remains as second member of the remuneration committee together with Michael Haworth.

Since the appointment of Michael Haworth as Non-Executive Chairman, and given that due to the size of operations the Company does not currently have a nominations committee he has been assessing the individual contributions of each of the members of the team to ensure that:

- their contribution is relevant and effective;
- that they are committed; and

- where relevant, they have maintained their independence.

Over the next 12 months, the Company intends to continue to review the performance of the team as a unit to ensure that the members of the board collectively function in an efficient and productive manner.

#### ***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.

#### ***Culture***

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Directors believe that the main determinant of whether a business behaves ethically and with integrity is the quality of its people. As the Board currently fulfils the responsibilities that might otherwise be assumed by a nominations committee, the Directors have responsibility for ensuring that individuals employed by the Group demonstrate the highest levels of integrity.

The Board has also 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); and
- 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.

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. The Board is satisfied that each of the Directors are able to allocate sufficient time to the Group to discharge their responsibilities effectively. The number of meetings held during the year was 10 and attendance is outlined below:

<b>Attendance by directors</b>	<b>Board meetings</b>
Michael Haworth	6
Jacek Glowacki	10
Estevão Pale	5
Aman Sachdeva	7

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 2018, the Audit Committee members were Jacek Glowacki (Committee Chairman) and Michael Howarth.

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 Audit Committee meets with the Group's auditors to review reports in respect of the annual audit and considers the significant accounting policies, judgments and estimates involved in the Group's financial reporting, together with the scope of the audit and the auditor fees and independence.

The Board notes that additional information supplied by the Audit Committee has been disseminated across the whole of this Annual Report, rather than included as separate Committee Reports. The Audit Committee met one time in the year.

### ***The Remuneration Committee***

The Remuneration Committee comprised Michael Haworth (Committee Chairman) and Estevão Pale.

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. The Remuneration Committee met one time in the year.

A Remuneration Committee Report is set out below.

### ***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 Directors

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.

## Remuneration Committee Report

At the year ended 31 December 2018, the Remuneration Committee comprised Michael Haworth and Estevão Pale.

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 2018 the following awards to Director/previous Director remained in place:

Non-Executives	Date of grant	Number granted	Exercise price	Expiry
Estevão Pale	25 May 2018	75,000	8.625p	7 years
Estevão Pale	25 May 2018	1,000,000	6.25p	10 years
Estevão Pale	25 May 2018	300,000	nil	10 years
Christiaan Schutte	25 May 2018	75,000	8.625p	7 years*
Christiaan Schutte	25 May 2018	1,000,000	6.25p	10 years*
Christiaan Schutte	25 May 2018	1,568,627	Nil	10 years*
Christiaan Schutte	25 May 2018	593,783	5.0p	10 years*
Christiaan Schutte	25 May 2018	1,187,566	7.5p	10 years*
Christiaan Schutte	25 May 2018	593,783	10.0p	10 years*
Christiaan Schutte	25 May 2018	593,783	15.0p	10 years*
Aman Sachdeva	25 May 2018	1,000,000	6.25p	10 years
Jacek Glowacki	25 May 2018	1,000,000	6.25p	10 years

Refer to note 16 for details of the vesting conditions attached to certain of the awards.

\* as considered a good leaver Christiaan Schutte has 30 months from 30.09.18 to exercise these options.

### Grant of Share Awards

During 2018 22,897,522 share options were issued to the Company's directors, executive senior management and contracted personnel (2017: nil).

### Directors' Options

During 2018 8,987,542 share options were issued to the Company's Directors (2017: nil), included within the 22,897,522 options above.

### 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 since his original appointment. In addition, Jacek Glowacki and Aman Sachdeva have waived their Directors fees since 1 April 2015 and Christiaan Schutte and Estevao Pale since 1 April 2017.

## Directors' remuneration

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 December 2018 for individual directors who held office in the Company during the period.

Director	Base Salary/fee US\$'000	Benefits US\$'000	Share based payments* US\$'000	Total 2018 US\$'000	Total 2017 US\$'000
Michael Haworth	-	-	-	-	-
Christiaan Schutte	27	-	369	396	60
Estevão Pale	-	-	110	110	12
Jacek Glowacki	-	-	81	81	-
Aman Sachdeva	-	-	81	81	-
<b>Total</b>	<b>27</b>	<b>-</b>	<b>641</b>	<b>668</b>	<b>72</b>

*\*These relate to the share options charge recognised in the year.*

On behalf of the Board

**Michael Haworth**  
Non-Executive Chairman

27 June 2019



## Statement of Directors' Responsibilities

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 IFRS as adopted by the European Union. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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 as adopted by the European Union 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

## Opinion

We have audited the financial statements of Ncondezi Energy Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated statement of profit or loss and consolidated statement of other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2018 and its loss for the year ended; and
- have been prepared in accordance with IFRSs as adopted by the European Union.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material uncertainty related to going concern

We draw attention to Note 1 to the financial statements concerning the group's ability to continue as a going concern which states that the group will need to extend, refinance or settle existing loans by their maturity date of 30 November 2019 and raise further funds to enable the group to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements.

The matters explained in note 1 indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above we considered going concern to be a Key Audit Matter.

We performed the following procedures in respect of this key audit matter:

- We obtained management's cash flow forecasts to 30 June 2020 and critically assessed the key assumptions. In doing so, we compared the cash flows to historical operating expenditure and reviewed the group's licences, board minutes and market announcements for indications of additional cash requirements. We confirmed that the cash flows included in respect of the proposed first GridX JV project are consistent with the draft agreements with GridX and market announcements.
- We considered management's judgment that they had a reasonable expectation of refinancing or settling the loans in equity and securing additional financing to meet working capital requirements. In doing so, we made specific inquiries of the Board, considered the group's history of ability to raise funds through equity placings and obtained written representations from the Board.

Our assessment also included making enquiries of management of the future financing plans and options, and evaluating the adequacy of the disclosure made in the financial statements in respect of

going concern to confirm that they are consistent with the relevant accounting framework and set out the material risks and uncertainties.

### Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter identified	How we addressed the matter
<b>Carrying value of the group's mining and power assets</b>	
<p>The group's mining and power assets represent its most significant assets as at 31 December 2018 as detailed in note 7. The mining assets are held at their recoverable value which is below cost following previous impairment.</p> <p>Management are required to assess whether they consider there are any indications that the group's mining and power assets may be impaired as at 31 December 2018 and whether any reversals of historic impairments are appropriate. Management determined that the mine and power assets represent one cash generating unit as detailed in note 2.</p> <p>Management performed an impairment assessment for the mining and power assets and concluded that no impairment of the power or further impairment mine assets was necessary and that no reversal of impairment on the mining assets was required as detailed in note 2, which sets out the key judgments and estimates involved in the impairment assessment.</p> <p>The appropriateness of the carrying value of mining and power assets represented a key audit matter given the significant judgements required in the impairment assessment.</p>	<p>We assessed the appropriateness management's conclusion that the mining and power assets represented one cash generating unit, against the relevant accounting framework.</p> <p>We obtained the integrated power and mine asset financial model, prepared by an external consultant, and confirmed that the model demonstrated significant headroom over the carrying value. In respect of key inputs we confirmed that the project costs were consistent with quotes and supporting information, compared the discount rate to relevant third party rates and performed sensitivity analysis. We noted that the project development is dependent on the electricity tariff which remains subject to agreement with the Government. Management confirmed that the tariff rate represented their best estimate of the rate required by the Government based on verbal discussions they had held and we obtained specific written representation to that effect. We reviewed market reports and internal correspondence to confirm that they were consistent with the tariff used in the model and agreed the rate to documents submitted to the Government.</p> <p>We reviewed the agreements with the project partners and obtained supporting documents demonstrating progress against the conditions precedent and the continued feasibility of the project at this time. We obtained correspondence demonstrating the review and approval of the financial models and key assumptions by the project partners.</p> <p>We assessed the appropriateness of management's conclusion that no reversal of impairment was required in respect of the mining assets, notwithstanding the headroom derived from the integrated model when compared to the power and mining assets as a whole. We discussed this judgment with the Audit Committee, which included consideration of factors which may indicate a change in circumstances in respect of the underlying mining asset that gave rise to the original impairment on the mining assets and</p>

	<p>uncertainties that remain in the absence of a binding Joint Development Agreement or electricity tariff.</p> <p>We reviewed the disclosures in note 2 against the requirements of the relevant accounting framework and considered whether they appropriately reflected the key judgments and estimates.</p> <p>We found management's assessment and disclosures in the financial statement to be appropriate.</p>
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**Accounting for debt instruments**

<p>As detailed in notes 2 and 12, the group holds a number of loan instruments which were restructured in the year with the term extended, addition of a 12% interest coupon and the addition of equity conversion rights.</p> <p>Management have treated the restructuring as a modification to the loans and de-recognised the previous loan instruments and recorded at new instrument.</p> <p>Management bifurcated the convertible loan into an embedded derivative reflecting the conversion option and a host debt liability. The initial recognition of the embedded derivative and host debt at fair value and subsequent revaluation of the embedded derivative at year end required management to exercise judgment and estimate in selecting an appropriate valuation methodology and the inputs to the valuation model.</p> <p>The accounting for these instruments is complex and required estimation and judgment in determining the fair value of the host debt and embedded derivative at initial recognition and the embedded derivative at year end. Accordingly, we considered this area to be a key audit matter.</p>	<p>We reviewed the loan agreements and amendments to those agreements to assess the key changes to the terms and underlying impact.</p> <p>We assessed the accounting treatment adopted by management for the loan modifications against the relevant accounting requirements.</p> <p>We assessed the accounting treatment adopted by management for the equity conversion rights included within the loan against the relevant accounting requirements.</p> <p>We obtained management's assessment of the fair value of the embedded derivative and host debt liability at initial recognition and the fair value of the embedded derivative at year end and evaluated the methodology adopted and considered whether the inputs were reasonable. In doing so, we used our valuations team to recalculate the fair values and compared the results to management's calculations.</p> <p>We recalculated the effective interest charges and change in fair value of the derivative.</p> <p>We found the accounting treatment adopted by management to be appropriate and the fair value of the instrument at initial recognition and, in respect of the derivative, at year end to be within an acceptable range.</p>
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**Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. The materiality for the financial statements as a whole was set at US\$0.28 million (2017: US\$0.28 million). This was based on 1.5% (2017: 1.5%) of total assets which we consider to be an appropriate benchmark due to the focus of stakeholders being on the assets of the group.

Whilst materiality for the financial statements as a whole was US\$0.28 million (2017: US\$0.28million), the significant components of the group were audited to a lower materiality of US\$0.15million to US\$0.17million (2017: US\$0.1 million to US\$0.17million). Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at US\$0.20million (2017: US\$0.20million) which represents 70% of the above materiality levels.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US\$14,000 (2017: US\$6,000), which was set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

### **An overview of the scope of our audit**

Our audit was scoped by obtaining an understanding of the group and its environment, as well as assessing the risks of material misstatement in the financial statements at group level.

In approaching the audit, we considered how the group is organised and managed. We completed a full scope audit on the group's financial information and the components we deemed significant. The group comprises five components of which we identified two to be significant, being the parent company and one subsidiary based in Mozambique. BDO UK performed a full scope audit on these significant components as accounting records are maintained in the UK and management are based in the UK. The non-significant components were subject to analytical review procedures undertaken by BDO LLP.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on Statement of Directors Responsibility below, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Parent company's members, as a body, in accordance with our engagement letter dated 17 April 2019. Our audit work has been undertaken so that we might state to the Parent company's members 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 Parent company and the Parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **BDO LLP**

*Chartered Accountants*

55 Baker Street  
London  
W1U 7EU  
United Kingdom

27 June 2019

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 2018

		2018	2017
	Note	US\$'000	US\$'000
Other administrative expenses	3	(1,461)	(1,051)
Share-based payment charge	3	(1,297)	-
<b>Total administrative expenses and loss from operations</b>		<b>(2,758)</b>	<b>(1,051)</b>
Finance expense	4	(722)	(644)
<b>Loss for the year before taxation</b>		<b>(3,480)</b>	<b>(1,695)</b>
Taxation	5	-	-
<b>Loss for the year attributable to equity holders of the parent company</b>		<b>(3,480)</b>	<b>(1,695)</b>
Loss per share expressed in cents			
Basic and diluted	6	(1.3)	(0.7)

## Consolidated statement of other comprehensive income

for the year ended 31 December 2018

	2018	2017
	US\$'000	US\$'000
<b>Loss after taxation</b>	<b>(3,480)</b>	<b>(1,695)</b>
Other comprehensive income:		
Exchange differences on translating foreign operations*	-	6
<b>Total comprehensive loss for the year attributable to equity holders of the parent company</b>	<b>(3,480)</b>	<b>(1,689)</b>

\*Items that may be reclassified to profit or loss subject to certain future events.

The notes form part of these financial statements.

## Consolidated statement of financial position

as at 31 December 2018

	Note	2018 US\$'000	2017 US\$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	18,272	18,313
<b>Total non-current assets</b>		<b>18,272</b>	<b>18,313</b>
<b>Current assets</b>			
Trade and other receivables	9	54	83
Cash and cash equivalents	10	424	614
<b>Total current assets</b>		<b>478</b>	<b>697</b>
<b>Total assets</b>		<b>18,750</b>	<b>19,010</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	481	1,018
Loans and borrowings	12	4,182	3,495
Derivative financial liability	13	845	107
<b>Total current liabilities</b>		<b>5,508</b>	<b>4,620</b>
<b>Total liabilities</b>		<b>5,508</b>	<b>4,620</b>
<b>Capital and reserves attributable to shareholders</b>			
Share capital	14	88,796	87,384
Accumulated losses		(75,554)	(72,994)
<b>Total capital and reserves</b>		<b>13,242</b>	<b>14,390</b>
<b>Total equity and liabilities</b>		<b>18,750</b>	<b>19,010</b>

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2019 and were signed on its behalf by:

**Michael Haworth**  
Non-Executive Chairman

The notes form part of these financial statements.

## Consolidated statement of changes in equity

for the year ended at 31 December 2018

	Share capital US\$'000	Foreign Currency Translation reserve US\$'000	Accumulated Losses US\$'000	Total US\$'000
<b>At 1 January 2018</b>	<b>87,384</b>	-	<b>(72,994)</b>	<b>14,390</b>
Loss for the year	-	-	<b>(3,480)</b>	<b>(3,480)</b>
Other comprehensive loss for the year	-	-	-	-
Total comprehensive loss for the year	-	-	<b>(3,480)</b>	<b>(3,480)</b>
Issue of shares	<b>1,310</b>	-	-	<b>1,310</b>
Costs associated with issue of shares	<b>(204)</b>	-	-	<b>(204)</b>
Exercise of share options	<b>306</b>	-	<b>(306)</b>	-
Equity settled share-based payments	-	-	<b>1,226</b>	<b>1,226</b>
<b>At 31 December 2018</b>	<b>88,796</b>	-	<b>(75,554)</b>	<b>13,242</b>

	Share capital US\$'000	Foreign Currency Translation reserve US\$'000	Accumulated Losses US\$'000	Total US\$'000
At 1 January 2017	86,557	(6)	(71,299)	15,252
Loss for the year	-	-	(1,695)	(1,695)
Other comprehensive income for the year	-	6	-	6
Total comprehensive loss for the year	-	6	(1,695)	(1,689)
Issue of shares	987	-	-	987
Costs associated with issue of shares	(160)	-	-	(160)
Equity settled share-based payments	-	-	-	-
At 31 December 2017	87,384	-	(72,994)	14,390

The notes form part of these financial statements.

## Consolidated statement of cash flows

for the year ended at 31 December 2018

	2018 US\$'000	2017 US\$'000
<b>Cash flow from operating activities</b>		
Loss before taxation	(3,480)	(1,695)
Adjustments for:		
Finance expense	722	644
Share based payment charge	1,297	-
Unrealised foreign exchange movements	2	3
Gain on disposal of property plant and equipment	(44)	(89)
Deferred payroll costs capitalised to Shareholder Loan	-	132
Depreciation and amortisation	68	78
<b>Net cash flow from operating activities before changes in working capital</b>	<b>(1,435)</b>	<b>(927)</b>
Decrease in inventory	-	2
Increase/(decrease) in payables	(25)	13
Decrease in receivables	29	5
<b>Net cash flow from operating activities before tax</b>	<b>(1,431)</b>	<b>(907)</b>
Income taxes refunded	-	-
<b>Net cash flow from operating activities after tax</b>	<b>(1,431)</b>	<b>(907)</b>
<b>Investing activities</b>		
Sales of property plant and equipment	47	133
Power development costs capitalised	(25)	(48)
Mine development costs capitalised	(7)	(3)
<b>Net cash flow from investing activities</b>	<b>15</b>	<b>82</b>
<b>Financing activities</b>		
Issue of ordinary shares	1,310	987
Cost of share issue	(84)	(50)
Bank charges	-	-
Short term loan	-	350
<b>Net cash flow from financing activities</b>	<b>1,226</b>	<b>1,287</b>
<b>Net (decrease)/increase in cash and cash equivalents in the year</b>	<b>(190)</b>	<b>462</b>
Cash and cash equivalents at the beginning of the year	614	152
<b>Cash and cash equivalents at the end of the year</b>	<b>424</b>	<b>614</b>

The notes form part of these financial statements.

## Notes to the consolidated 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 Ground Floor, Coastal Building, Wickham's Cay II, PO Box 2136, Road Town, Carrot Bay, VG1130 Tortola, British Virgin Islands.

#### **Going concern**

As at 21 June 2019 the Group had cash reserves of approximately US\$1.9 million. Based upon projections, which include corporate costs, project costs to progress the project and planned expenditure related to first potential C&I project presented as part of the planned GridX JV, the Group will be funded until the beginning of December 2019 although the expenditure on the first GridX JV project is not yet binding and in the absence of such planned expenditure the Group is funded until Q4 2020. However, the forecasts remain subject to the Shareholder Loan being extended or restructured. The Shareholder Loan of US\$4.7 million (principal, historic redemption premium and interest) matures on 30 November 2019, and the Company is currently evaluating options to execute a debt for equity swap or, prior to 1 November 2019, prepay the whole or any part of the loan with the remainder subject to a debt for equity swap.

The Directors continue to explore options in respect of raising further funds to continue with the power plant and mine development programmes. 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.

In addition, notwithstanding the Shareholder Loan, further funding will be required as detailed above to meet operating cash flows under current forecasts or in the event of accelerated project advancement. The Directors are exploring a number of funding and working capital solutions beyond the 30 November 2019 maturity of the Shareholder Loan. The financial statements have been prepared on a going concern basis in anticipation of a positive outcome but it is important to highlight that there are no binding agreements in place. The Company has also been exploring options to raise additional funding and refinance or convert the Shareholder Loan however there can be no certainty that any of these initiatives will be successful.

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.

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.

#### **New and amended standards which are effective for these Financial Statements**

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. The Group's principal financial assets comprise cash and other receivables. All of these financial assets continue to be classified and measured at amortised cost. The Group's principal financial liabilities comprise trade and other payables, loans and derivatives. There has been no change to the accounting classification and treatment of financial liabilities, noting that previous modifications to loans were treated as significant modifications with the previous loan extinguished and replaced with a new loan and any gain or loss recorded in the income statement. The Group's financial assets held at amortised cost are subject to provisioning assessments under the expected credit loss model. The only material financial assets held are cash. The level of credit risk that the Group is exposed to has not given rise to any allowances within the expected credit loss model.

IFRS 15 became effective for all periods beginning on or after 1 January 2018. IFRS 15 does not impact the Group as it is not currently revenue generating.

#### **Standards in issue but not yet effective**

The following standards, amendments and interpretations which have been recently issued or revised and are mandatory for the Group's accounting periods beginning on or after 1 January 2019 or later periods have not been adopted early:

<b>Standard</b>	<b>Description</b>	<b>Effective date</b>
IFRS 16	Leases	1 Jan 2019
Annual Improvements	2015 – 2017 Cycle	1 Jan 2019
IFRIC 23	Uncertainty over Income Tax treatments	1 Jan 2019
IFRS 3	Amendments to IFRS 3 Business Combinations – Definition of a business	1 Jan 2020*
IAS 1 and IAS 8	Definition of Material	1 Jan 2020*

\*Not yet endorsed by the EU.

The Group does not have any leases as at 31 December 2018. It is not considered that the impact of IFRS16 will be material.

#### ***Basis of consolidation***

##### **Subsidiaries**

Subsidiaries are all 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.

When equity instruments are modified, if the modification increases the fair value of the award, the additional cost must be recognised over the period from the modification date until the vesting date of the modified award.

If, after the vesting date, fully vested options lapse or are 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.

### ***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 the asset is ready and available for use.

### ***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 one cash generating unit being the integrated coal mining asset and the power plant project. This changes from prior year where there were two cash generating units. Following the non-binding agreement and progress towards a binding JDA with CMEC and GE, the new strategic partners, the development strategy has changed to an integrated project and as such power and mine projects are now considered together as a single cash generating unit reflecting the economics of the project.

### ***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 and its primary operating 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 with a non US\$ functional currency 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.

### ***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. 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.

### ***Impairment of Financial Assets***

The Group recognizes a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortised cost which comprise mainly of receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Impairment provisions for other receivables are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income

are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

### ***Financial liabilities***

#### *Financial liabilities held at amortised cost*

Financial liabilities refer to trade and other payables and loans and borrowings (including the host debt in a convertible instrument) 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. Where loans and borrowings include a redemption premium, the estimated premium is included in the calculation of the effective interest rate.

Where there is a modification to a financial liability, the financial original liability is de-recognised and a new financial liability is recognised at fair value in accordance with the Group's policy.

#### *Convertible loan*

Convertible loan notes are assessed in accordance with IAS 32 Financial Instruments: Presentation to determine whether the conversion element meets the fixed-for-fixed criterion. Where this is met, the instrument is accounted for as a compound financial instrument with appropriate presentation of the liability and equity components.

Where the fixed-for-fixed criterion is not met, the conversion element is accounted for separately as an embedded derivative which is measured at fair value through profit or loss. On issue of a convertible borrowing, the fair value of embedded derivative is determined and the residual is recorded as a host liability initially at fair value and subsequently at amortised cost.

Issue costs are apportioned between the components based on their respective carrying amounts when the instrument was issued.

The finance costs recognised in respect of the convertible borrowings includes the accretion of the liability.

#### *Financial liabilities at fair value through profit or loss*

This category comprises warrants instruments classified as derivative financial liability due to the warrant resulting in the issue of a variable number of shares and the embedded derivative within the Shareholders Loan. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any other financial liabilities as being at fair value through profit or loss.

#### *Fair value measurement hierarchy*

The Group classifies its financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (note 19). The fair value hierarchy has the following levels:

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);
- c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within the financial liability is determined on the basis of the lowest level input that is significant to the fair value measurement.

### ***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.

### ***Non-current assets held for sale and disposal groups***

Non-current assets and disposal groups are classified as held for sale when: they are available for immediate sale subject only to customer conditions; management is committed to a plan to sell; it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn; an active programme to locate a buyer has been initiated; the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of: their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and fair value less costs to sell. Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

## **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 and estimates***

#### ***(i) Impairment of power and mining assets***

The carrying value of the power plant and mining assets in note 7 are dependent on the success of the power plant project. Management's judgement is that no indicators of impairment have occurred during the year. This has included consideration of the potential sources of impairment indicators prescribed under IAS 36. Management have considered key milestones, signing of the NBO, risks and de-risking events and determined that it is more likely than not that the power plant will be developed given the progress to date. The carrying value of the assets and feasibility of the project is supported by the current integrated financial model. However, the Government have indicated that a more competitive tariff is required compared to the previous tariff envelope agreed in principle. The integrated financial model is based on an approximate 10% reduction in the previous tariff which management anticipate being acceptable to the Government following benchmarking and discussions with EDM to date. However, negotiations are continuing and should an acceptable tariff not be agreed or other cost efficiencies realised the project may not proceed and the power assets may not be recoverable.

Following the NBO with CMEC and GE and the new integrated strategy the power and mining projects are now considered as one cash generating unit. This required judgment and factors considered included the integrated nature of the development project versus the previous development plans, the interdependent nature of the assets and project economics and the extent to which the assets could feasibly be developed independently.

#### ***(ii) Asset classified as held for sale***

Management have considered whether the NBO with CMEC and GE was such that the power and mining assets met the criteria of IFRS 5. Having considered the non-binding status of the proposals at 31 December 2018 and associated risks and uncertainties, the extent of progress made towards finalising the JDA and subsequent financial closure and the period of time to final completion of a transaction and concluded that the criteria were not met.

#### ***(iii) Amendments to shareholder loans and fair value assessments***

Judgement and estimate was required in accounting for the Group's shareholder loans which were restructured during the current and prior year.

In 2017 the extensions were treated as the extinguishment of the originals loans and recognition of new loans with the maturity having been extended without additional redemption premiums. Judgement was required in assessing whether the holders were acting principally in their capacity as debt holders or shareholders with gains on modification recorded in the income statement under the former or equity under the latter. Management concluded that the holders were acting principally in their capacity as debt holders based on assessment of the size of their shareholdings, the financial position of the Group at the time which was considered to be such that the holders accepted the terms to maximise their

potential for eventual recovery of the loans (including premium) and other facts and circumstances.

Judgement and estimation was required in determining the market rate of return to apply in calculating the fair value of the loan instruments on extension in May 2017 and September 2017. Management estimated the market rate of return and this was applied to arrive at the fair value of the loan instruments.

In 2018 the restructuring of the loans was treated as the extinguishment of the original loans and recognition of new loans. Judgement and estimation was required in determining the fair value of liability and derivative components of the loan notes. Management estimated the fair value of the derivative with the residual portion considered the debt component. The estimation of fair value required estimates including factors such as future share price volatility and the market rates of return for a loan instrument without conversion rights. The loan note derivative is considered level 2 for IFRS 13 disclosure purposes. Refer to note 13 and 19.

### 3. Administrative expenses

	2018 US\$'000	2017 US\$'000
Staff costs	41	167
Professional and consultancy	1,149	763
Office expenses	78	75
Travel and accommodation	32	12
Other expenses	34	57
Gain on disposal of PPE	(44)	(89)
Depreciation	68	78
Foreign exchange	103	(12)
<b>Total administrative expenses</b>	<b>1,461</b>	<b>1,051</b>

#### *Auditors' remuneration*

	2018 US\$'000	2017 US\$'000
Group auditors' remuneration		
- audit of the Group's accounts	60	48
- audit of the Group's subsidiaries	-	-
Other services		
- interim review	3	3
	<b>63</b>	<b>51</b>

Auditors' remuneration is included within professional and consultancy costs.

#### *Staff costs (including Directors)*

	2018 US\$'000	2017 US\$'000
Wages and salaries	40	188
Share based payment	1,226	-
Social security costs	-	1
	<b>1,266</b>	<b>189</b>

The share based payment charge of US\$1,226,000 (2017:US\$nil) excludes share based payments in respect of warrants issued to consultant of US\$71,000 (2017:US\$nil).

2018 US\$nil (2017: US\$21,561) 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:

	<b>2018</b>	2017
	<b>Number</b>	Number
Operational	1	1
Administration	3	3
	<b>4</b>	<b>4</b>

**Key management compensation:**

	<b>2018</b>	2017
	<b>US\$'000</b>	US\$'000
Salary	-	72
Fees	268	23
Social security costs	-	-
Share based payment	921	-
	<b>1,189</b>	<b>95</b>

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

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

	<b>2018</b>	2017
	<b>Number</b>	Number
Operational	1	8
Administration	3	5
	<b>4</b>	<b>13</b>

**4. Finance expense**

	<b>2018</b>	2017
	<b>US\$'000</b>	US\$'000
Interest on loan (note 12)	1,170	648
Fair value adjustment on the warrants (note 13)	(157)	(4)
Fair value adjustment on the loan derivative (note 13)	(291)	-
	<b>722</b>	<b>644</b>

## 5. Taxation

The Group entities subject to corporate income tax are Ncondezi Coal Company Mozambique Limitada and Ncondezi Power Company S.A. which are subject to tax at the rate of 32% (2017: 32%) on their profits in Mozambique. No tax charge/ (credit) arose in the current or prior year for Ncondezi Coal Company Mozambique Limitada and Ncondezi Power Company S.A.

	2018 US\$'000	2017 US\$'000
Current tax	-	-
Group loss on ordinary activities before tax	<b>(3,480)</b>	(1,695)
Effects of:		
Reconcile to Mozambique corporation tax rate of 32% (2017: 32%)	<b>(1,113)</b>	(542)
Differences arising from different tax rates	<b>1,044</b>	499
Taxable losses utilised not previously recognised	<b>26</b>	(77)
Under/over provision from previous period	-	-
Foreign exchange effect originating in overseas companies	<b>14</b>	95
Unrecognised taxable losses in subsidiaries	<b>29</b>	25
<b>Total tax for the year</b>	<b>-</b>	<b>-</b>

During the exploration and development stages, the Group will accumulate tax losses which may be carried forward. As at 31 December 2018, no deferred tax asset has been recognised for tax losses of US\$4,253,000 (2017: USD\$7,978,000) 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\$77,000 will be available until 31 December 2023, US\$52,000 will be available until 31 December 2022, US\$1,129,000 will be available until 31 December 2021, US\$760,000 will be available until 31 December 2020, and US\$1,269,000 will be available until 31 December 2019.

## 6. 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 25,097,522 (2017: 7,525,000) share incentives outstanding at the end of the year 13,071,906 (2017: 6,775,000) had already vested, which if exercised could potentially dilute basic earnings per share in the future.

	2018			2017		
	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)
<b>Basic and diluted EPS</b>	<b>(3,480)</b>	<b>276,187</b>	<b>(1.3)</b>	(1,695)	253,349	(0.7)

## 7. 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
<b>Cost (less impairment)</b>						
<b>At 1 January 2017</b>	-	<b>7,651</b>	<b>1,736</b>	<b>446</b>	<b>718</b>	<b>10,551</b>
Additions	48	3	-	-	-	51
Disposals	-	-	(337)	(404)	-	(741)
Reclassified from non-current assets held for sale	9,389	-	-	-	-	9,389
<b>At 1 January 2018</b>	<b>9,437</b>	<b>7,654</b>	<b>1,399</b>	<b>42</b>	<b>718</b>	<b>19,250</b>
Additions	25	7	-	-	-	32
Disposals	-	-	(122)	(7)	-	(129)
<b>At 31 December 2018</b>	<b>9,462</b>	<b>7,661</b>	<b>1,277</b>	<b>35</b>	<b>718</b>	<b>19,153</b>
<b>Depreciation</b>						
At 1 January 2017	-	-	<b>432</b>	<b>406</b>	<b>718</b>	<b>1,556</b>
Depreciation charge	-	-	70	8	-	78
Disposals	-	-	(312)	(385)	-	(697)
At 1 January 2018	-	-	<b>190</b>	<b>29</b>	<b>718</b>	<b>937</b>
Depreciation charge	-	-	67	1	-	68
Disposals	-	-	(118)	(6)	-	(124)
<b>At 31 December 2018</b>	-	-	<b>139</b>	<b>24</b>	<b>718</b>	<b>881</b>
<b>Net Book value 2018</b>	<b>9,462</b>	<b>7,661</b>	<b>1,138</b>	<b>11</b>	-	<b>18,272</b>
Net Book value 2017	9,437	7,654	1,209	13	-	18,313

Power assets relate to the development of a 300MW power plant. In 2018, the Power assets remains classified as Property, plant and equipment as detailed in note 2.

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.

## 8. Subsidiaries

The Group has the following subsidiary undertakings:

		% interest 2018	% interest 2017	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 and development
Ncondezi Power Holdings 2 Limited	'NPH2L'	100	100	UAE	Holding company
Ncondezi Power Company SA	'NPCSA'	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 Holdings 2 Limited is owned by Ncondezi Energy Limited. Ncondezi Power Company SA is owned by Ncondezi Energy Limited, Zambezi Energy Corporation Holdings 1 Limited and Ncondezi Power Holdings 2 Limited.

## 9. Trade and other receivables

	2018 US\$'000	2017 US\$'000
<b>Current assets:</b>		
Other receivables	54	83
<b>Total trade and other receivables</b>	<b>54</b>	<b>83</b>

During the year no impairments were recognised (2017: US\$Nil). The Directors consider that the carrying amount of other receivables approximates their fair value.

## 10. Cash and cash equivalents

	2018 US\$'000	2017 US\$'000
Cash at bank and in hand	424	614
	<b>424</b>	<b>614</b>

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

	2018 US\$'000	2017 US\$'000
US Dollars	67	77
Great British Pounds	354	535
Mozambique Meticaais	3	2
	<b>424</b>	<b>614</b>

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

## 11. Trade and other payables

	2018 US\$'000	2017 US\$'000
Other payables	189	212
Other taxation and social security	-	1
Accruals	292	805
	<b>481</b>	<b>1,018</b>

Accruals includes US\$nil million (2017: US\$0.5 million) of interest in respect of the loans in note 12. The fair value of payables is not significantly different from their carrying value.

## 12. Short term loan

	2018 US\$'000	2017 US\$'000
Short term loan (unsecured)	4,182	3,495
Unamortised related costs	-	-
<b>Total Short term loan</b>	<b>4,182</b>	<b>3,495</b>

On 11 May 2016, the Group entered into a US\$1.32 million loan facility ("Shareholder Loan") with certain of Ncondezi's Directors, Management and long term shareholders. On 31 August 2016, AFC acceded to the existing loan facility agreement, providing a facility of US\$3.0 million, with an initial tranche of US\$1.0 million ("Tranche A") and a further tranche of US\$2.0 million ("Tranche B") which was conditional amongst other things upon the fulfilment of certain conditions precedent, the completion of the JDA and Ncondezi providing an appropriate security package. Tranche B was never drawn and lapsed.

The repayment terms of the Shareholder Loan were as follows:

- if the SEP JDA became effective before December 2016 the full drawn down amount was repayable on 10 May 2017 and a 0.5 times return on the drawn down amount was repayable 6 months from 10 May 2017
- if the SEP JDA became effective after December 2016 the full drawn down amount and the 0.5 times return was repayable on 10 May 2017
- if the repayment occurred after 10 May 2017, then an additional return of 0.5 times the total drawings is repayable in addition to the 1.5 times of the full drawn down amount

The Shareholder Loan was initially recorded at fair value, being the proceeds received, and subsequently at amortised cost. The estimated repayment premium of 0.5x capital was recognised over the period of the loan through the effective interest rate.

Repayment of the Shareholder Loan (comprising the existing Shareholder Loan and initial US\$1.0 million Tranche A from AFC) was initially payable by no later than 10 May 2017. On 11 May 2017, the Company agreed an amendment to the repayment terms, with repayment of the principal and redemption premium on 2 September 2017. Subsequently on 2 September 2017 the Company was able to agree an amendment to the repayment terms of the Shareholder Loan, with repayment now due on 2 September 2018.

On 23 of June 2017 the Company entered into an amendment (“New Loan”) to the original Shareholder Loan with an additional funding of US\$350,000. The financing was committed by the Chairman Michael Haworth (US\$200,000) and other existing long term shareholders (US\$150,000). The New Loan would receive a 1.25x return and was due to mature on 2 September 2017. The loan was subsequently extended to 2 September 2018 with no additional return.

As part of this same amendment the senior management team of the Company agreed to convert their deferred 50% salary between November 2016 and January 2017, and a percentage of their salary since February 2017 into the existing Shareholder Loan. The total amount of US\$232,000 was initially due to mature 2 September 2017 without interest. The maturity date was subsequently extended to 2 September 2018 with no additional return.

At the date of the extensions the loans, held at principal plus redemption premiums, were extinguished and replaced with the amended loans discounted at market rates of return (see note 2). The difference between the carrying value of the previous loan and the fair value of the amended loan was taken to finance costs as a gain. The discount was then accreted to the date of maturity with charges recorded in finance costs.

Finance costs in 2017 of US\$0.6 million comprise US\$2.7 million of finance charges and US\$2.1 million of gains on significant modification of the loans. The finance charges included the redemption premiums amortised to original maturity together with the additional redemption premium on the 2016 loan for non-payment, amortisation of the amended Shareholder Loan discount between 11 May 2017 and 2 September 2017 and amortisation of the discount of each loan from 3 September 2017 to 31 December 2017.

On 16 November 2018 the Shareholder Loan was modified with the maturity date extended to 30 November 2019 and an interest coupon of 12%. Under the terms the lenders have the right to convert the loan into equity as follows:

- a) First Conversion: lenders shall be entitled to convert all or part of their portion of the Loan (in multiples of \$US1,000) into fully paid ordinary shares of the Company at a 10.0p conversion price from the date of this announcement until 1 November 2019; and
- b) Second Conversion: if Lenders who are owed (in aggregate) not less than 50.1% of the outstanding principal amount of the Loan from 1 November 2019 until maturity provide a conversion notice to the Company, all amounts outstanding under the Loan shall convert into fully paid Ordinary Shares of the Company at a conversion price the higher of the 30% discount to the 60 day VWAP at 30 November 2019 or 5.2p.

At the date of the restructuring the carrying value of the previous loans was US\$5.1 million and the loan was extinguished and replaced with the convertible loan notes. The fair value of the new instrument was determined to be equivalent to the fair value of the old instrument, with no gain or loss being recognised on extinguishment. The potential issuance of a variable number of shares meant the instrument was treated as a host debt liability with a separate embedded derivative (note 13) representing the conversion right. The embedded derivative was valued at US\$1.0m and the residual attributed to the host debt liability. Subsequently the host debt liability has been recorded at amortised cost and interest recorded at the effective interest rate and the embedded derivative recorded at fair value through profit and loss.

Net financial cost for the year totalled in relation to short term loan was US\$1.2m (2017: US\$0.6m) comprising US\$1.1m in respect of amortised redemption premiums prior to restructuring and US\$0.1m of effective interest charges on the convertible loan host liability with US\$0.3m of fair value changes on the derivative.

In the prior year, interest accrued on the short term loan was recognised as a separate payable in accruals as detailed in note 11. However since the date of the restructuring, the interest accrued is being recognised within the short term loan balance itself.

### 13. Derivative financial liability

	2018 US\$'000	2017 US\$'000
Warrants	138	107
Loan derivative (note 12)	707	-
	<b>845</b>	107

#### Warrants

During the year ended 31 December 2018, 1,520,000 warrants at subscription price of 6.25 pence per share, were granted to Novum Securities Limited as part of the placing agreement entered in May 2018 and 1,000,000 warrants at subscription price of 5 pence per share to a contractor. The warrants have an exercise period of 2 years from 11 June and 25 May 2018 respectively. The warrants are classified at fair value through profit and loss as the functional currency of the Company is US Dollars and the exercise price is set in GBP.

The fair value on the grant date and reporting date were determined using the Black Scholes Model. The fair value was based on the following assumptions:

Share Price (£)	0.0625 and 0.05
Expected volatility	119%
Options life (years)	2
Expected dividends	0
Risk free rate	0.74%

The fair value of the 1,520,000 warrants on the grant date was US\$119,345. On initial recognition the warrants' cost was deducted from share capital balance as it represents the cost of issuing shares. Subsequent changes in the fair value of the warrants are recognised through profit or loss. The warrants were valued at US\$60,597 at the year end with the change of fair value of US\$58,748 recognised through profit or loss.

The fair value of the 1,000,000 warrants on the grant date was US\$71,083 which has been recognised on the consolidated statement of profit or loss. Subsequent changes in the fair value of the warrants are recognised through profit or loss. The warrants were valued at US\$42,748 at the year end with the change of fair value of US\$28,335 recognised through profit or loss.

The warrants have been deemed to be Level 2 liabilities under the fair value hierarchy.



## Loan derivative

The loan derivative, measured at fair value through profit or loss, has been deemed to be Level 2 liabilities under the fair value hierarchy, based on the valuation method used. The Monte Carlo model was used in arriving at the fair value of the derivative at inception and year end respectively. Refer to note 12 and 19 for further details.

## 14. Share capital

	2018	2017
<b>Number of shares</b>		
<b>Allotted, called up and fully paid</b>		
<b>Ordinary shares of no par value</b>	<b>282,299,844</b>	265,299,844

	Shares Issued Number	Share capital US\$'000
At 1 January 2018	265,299,844	87,384
Issue of shares	15,200,000	1,310
Issue of shares (exercised share awards)	1,800,000	306
Issue costs	-	(204)
At 31 December 2018	<b>282,299,844</b>	<b>88,796</b>

	Shares Issued Number	Share capital US\$'000
At 1 January 2017	250,299,844	86,557
Issue of shares	15,000,000	987
Issue costs	-	(160)
At 31 December 2017	265,299,844	87,384

## 15. 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
Retained earnings	Cumulative net gains and losses less distributions made, together with share based payment equity increases

## 16. 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	Exercised during the year	Lapsed/cancelled during the year	Outstanding at year end	Final exercise date
<b>2018</b>							
Nil	27.05.10	2,400,000	-	-	-	2,400,000	26.05.20
25c	27.05.10	800,000	-	-	-	800,000	26.05.20
17.25p (26.3c)	26.04.13	1,775,000	-	-	(1,625,000)	150,000	25.04.23
Nil	31.01.14	1,800,000	-	(1,575,000)	-	225,000	30.06.20
6.5p (10.8c)	31.01.14	750,000	-	-	(750,000)	-	30.06.20
Nil*	25.05.18	-	2,568,627	(700,000)	-	1,868,627	24.05.28
Nil**	25.05.18	-	750,000	(675,000)	-	75,000	31.01.24
5p (6.7c)**	25.05.18	-	2,790,779	-	-	2,790,779	25.05.28
8.625p (11.5c)*	25.05.18	-	1,625,000	-	-	1,625,000	05.02.25
6.25p (8.4c)*	25.05.18	-	4,000,000	-	-	4,000,000	25.05.28
7.5p (10c)**	25.05.18	-	5,581,558	-	-	5,581,558	25.05.28
10p (13.4c)**	25.05.18	-	2,790,779	-	-	2,790,779	25.05.28
15p (20.1c)**	25.05.18	-	2,790,779	-	-	2,790,779	25.05.28
<b>Total</b>		<b>7,525,000</b>	<b>22,897,522</b>	<b>(2,950,000)</b>	<b>(2,375,000)</b>	<b>25,097,522</b>	
<b>WAEP (cents)</b>		<b>9.94</b>	<b>8.77</b>	<b>-</b>	<b>2.03</b>	<b>9.73</b>	

Exercise price per share	Grant date	Outstanding at start of year	Granted during the year	Exercised during the year	Exercised during the year	Outstanding at year end	Final exercise date
<b>2017</b>							
Nil	27.05.10	2,400,000	-	-	-	2,400,000	26.05.20
25c	27.05.10	800,000	-	-	-	800,000	26.05.20
30.5p (47.8c)	19.06.12	500,000	-	-	(500,000)	-	18.06.22
17.25p (26.3c)	26.04.13	4,600,000	-	-	(2,825,000)	1,775,000	25.04.23
Nil	31.01.14	1,800,000	-	-	-	1,800,000	30.06.20
6.5p(10.8c)	31.01.14	3,450,000	-	-	(2,700,000)	750,000	30.06.20
<b>Total</b>		<b>13,550,000</b>	<b>-</b>	<b>-</b>	<b>(6,025,000)</b>	<b>7,525,000</b>	
<b>WAEP (cents)</b>		<b>14.92</b>	<b>-</b>	<b>-</b>	<b>21.2</b>	<b>9.94</b>	

\* Vest on grant date

\*\* Vest upon delivery of specific milestones

The Company's mid-market closing share price at 31 December 2018 was 5.65p (31 December 2017: 3.63p). The highest and lowest mid-market closing share prices during the year were 9.45p (2017: 9.87p) and 3.87p (2017: 1.75p) respectively.

Of the total number of options outstanding at year end 13,071,906 (2017: 6,775,000) had vested and were exercisable. The weighted average exercise price for the exercisable options at year end was 7.40p (2017: 8.86p).

The weighted average contractual life of the options outstanding at the year-end was six years (2017: six years).

In respect of 22,897,522 shares in the Company granted to its directors, executive senior management team and contracted personnel 61% are performance related and linked to delivery of specific milestones, 17% are in lieu of director remuneration and the balance of 22% is in lieu of senior

management, ex-employees and consultants remuneration. Out of the total options granted in the year, 8,193,627 vested at grant date.

The fair value of the 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 in the current and prior year:

Grant dated date	Share price at date of	Exercise price per share	Volatility	Period likely to exercise	Risk-free investmen	Fair value
25.05.18	5.50c	(nil)	113.33%	5 years	0.7%	5.50c
25.05.18	5.50c	11.54c(8.625p)	113.33%	5 years	0.7%	4.30c
25.05.18	5.50c	6.69c(5p)	113.33%	5 years	0.7%	4.46c
25.05.18	5.50c	10.04c(7.5p)	113.33%	5 years	0.7%	4.40c
25.05.18	5.50c	13.38c(10p)	113.33%	5 years	0.7%	4.20c
25.05.18	5.50c	20.07c(15p)	113.33%	5 years	0.7%	4.00c
25.05.18	5.50c	8.36c(6.25p)	133.33%	5 years	0.7%	4.50c

The volatility rates have been calculated using the share price of a similar company with coal assets in Mozambique for share options granted in 2012 and analysis of historic Company share price volatility thereafter.

Based on the above fair values, the expense arising from equity-settled share options made to employees and Directors was US\$1.2m for the year (2017: nil).

## 17. Segmental analysis

In 2017 the Group had three reportable segments, following the NBO with CMEC and GE the new integrated strategy the power and mining projects are now considered as one segment:

- Power Project and Mine Project - this segment is involved in the exploration for coal and development of coal mine and 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. 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 Group's mine and power activities are interrelated and each activity is dependent on the other. Accordingly, all significant operating decisions are based upon analysis of the mine and power activities as one segment and corporate as one segment.

The segment results for the year ended 31 December 2018 are as follows:

Income statement	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
<b>For the year ended 31 December 2018</b>			
Segment result after allocation of central costs	(559)	(2,199)	(2,758)
Finance expense	-	(722)	(722)
Finance income	-	-	-
Loss before taxation	(559)	(2,921)	(3,480)
Taxation	-	-	-
<b>Loss for the year</b>	<b>(559)</b>	<b>(2,921)</b>	<b>(3,480)</b>

The segment results for the year ended 31 December 2017 are as follows:

Income statement	Power project US\$'000	Mine project US\$'000	Corporate US\$'000	Group US\$'000
<b>For the year ended 31 December 2017</b>				
Segment result after allocation of central costs	(615)	44	(480)	(1,051)
Finance expense	-	-	(644)	(644)
Finance income	-	-	-	-
Loss before taxation	(615)	44	(1,124)	(1,695)
Taxation	-	-	-	-
<b>Loss for the year</b>	<b>(615)</b>	<b>44</b>	<b>(1,124)</b>	<b>(1,695)</b>

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

Income statement	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
<b>For the year ended 31 December 2018</b>			
Depreciation charged to the income statement	(68)	-	(68)
Share based payment	-	(1,297)	(1,297)

Income statement	Power project US\$'000	Mine project US\$'000	Corporate US\$'000	Group US\$'000
<b>For the year ended 31 December 2017</b>				
Depreciation charged to the income statement	-	(78)	-	(78)

The segment assets and liabilities at 31 December 2018 and capital expenditure for the year then ended are as follows:

Statement of financial position	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
<b>At 31 December 2018</b>			
Segment assets	18,032	718	18,750
Segment liabilities	(224)	(5,284)	(5,508)
Segment net assets	17,808	(4,566)	13,242
Property plant and equipment capital expenditure	32	-	32

The segment assets and liabilities at 31 December 2017 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
<b>At 31 December 2017</b>				
Segment assets	9,439	8,643	928	19,010
Segment liabilities	(210)	(11)	(4,399)	(4,620)
Segment net assets	9,229	8,632	(3,471)	14,390
Property plant and equipment capital expenditure	48	3	-	51

#### 18. Reconciliation of liabilities arising from financing activities

	Accrued interest US\$'000	Short term loan US\$'000	Derivative financial liability US\$'000	Total US\$'000
At 1 January 2018	510	3,495	107	4,112
Cash flows	-	-	-	-
Non cash finance charges	1,050	124	-	1,174
Restructuring of loan	(1,560)	1,560	-	-
Non cash change in accruals	-	-	-	-
FV of warrants issued	-	-	189	189
FV of loan derivative	-	(997)	997	-
Change in fair value	-	-	(448)	(448)
<b>At 31 December 2018</b>	<b>-</b>	<b>4,182</b>	<b>845</b>	<b>5,027</b>
	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2017	610	2,169	-	2,779
Cash flows	-	350	-	350
Deferred payroll costs capitalised to shareholder loan	-	232	-	232
Non cash finance charges net of modification gains	-	744	-	744
Non cash change in accruals	(100)	-	-	(100)
FV of warrants issued	-	-	110	110
Change in fair value	-	-	(3)	(3)
At 31 December 2017	510	3,495	107	4,112

## 19. 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 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:

	2018 US\$'000	2017 US\$'000
<b>Loans and receivables at amortised cost</b>		
Trade and other receivables	16	44
Cash and cash equivalents	424	614
<b>Financial liabilities held at amortised cost</b>		
Trade and other payables	481	1,018
Loans and borrowings	4,182	3,495
<b>Financial liabilities at fair value through profit or loss</b>		
Derivative financial liability	845	107

For details of the fair value hierarchy and valuation techniques relating to the determination of the fair value of the derivative financial liability, refer to note 13.

### **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 policies 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:

### **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.

2018	Total	on	in 1	Between 1	Between 6	Between 1
	US\$'000	demand	month	and 6	and 12	and 3
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Trade and other payables	481	-	112	-	369	-
Loans and borrowings	5,661	-	-	-	5,661	-



2017	Total	on	in 1	Between 1	Between 6	Between 1
	US\$'000	demand	month	and 6	and 12 months	and 3
	US\$'000	US\$'000	US\$'000	months	US\$'000	years
				US\$'000		US\$'000
Trade and other payables	1,018	-	228	265	525	-
Loans and borrowings	5,100	-	-	-	5,100	-

The Group endeavours to match the maturity of its current assets with its current liabilities to mitigate liquidity risk. Refer to note 1 for the material uncertainty regards going concern.

### **Borrowing facilities**

The Group had no undrawn and unconditional committed borrowing facilities available at 31 December 2018 (2017: 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 due to certain costs arising in Mozambique Meticaís and cash held in GBP, 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 Meticaís and GB pounds will increase net assets by US\$16,069 (2017: decreased net assets by US\$20,803).

### **Currency exposures**

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

	2018			2017		
	US\$'000			US\$'000		
	Assets/(liabilities) held			Assets/(liabilities) held		
	GBP	MZN	Total	GBP	MZN	Total
US dollars	323	1	324	485	39	524
	<b>323</b>	<b>1</b>	<b>324</b>	<b>485</b>	<b>39</b>	<b>524</b>

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

## 20. 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.

In relation to the Shareholder Loan as at 31 December 2018 there was no drawn (2017: US\$671,591) by a Trust of which Non-Executive Chairman, Michael Haworth is a potential beneficiary. \$nil drawn by Director, Christiaan Schutte (2017: US\$185,864), and \$nil drawn from Director, Estevão Pale (2017: US\$55,011). Refer to note 11 for details of the terms and conditions. Refer to note 12 for details of the terms and conditions.

***Christiaan Schutte – Former Non-Executive Director of Ncondezi Limited, resigned on 30 September 2018 - Director of CPS Consulting***

During the year US\$27,100 (2017: US\$23,400) was paid by the Company to CPS Consulting in respect of services provided by Christiaan Schutte. There was no outstanding balance at 31 December 2018 (2017: Nil).

CPS provides technical oversight and due diligence for independent power producers and related projects. Working directly with O&M and EPC contracts on behalf of the Company on the Power Project.

***Aman Sachdeva – Non-Executive Director of Ncondezi Energy Limited - CEO of Synergy Consulting Inc.***

During the year US\$160,278 (2017: US\$200,876) was paid by the Company to Synergy Consulting Inc. in respect of services provided by Synergy. At 31 December 2018 the outstanding balance was US\$41,105 (2017: US\$45,000).

As announced on 15 February 2019 the Company identified that this related party relationship had not been previously disclosed, although amounts due or paid under the Contracts have been appropriately recorded in the preparation of the Company's audited financial statements for relevant periods. Accordingly the disclosure of the comparative information was omitted from the prior year disclosure.

During 2016 US\$133,457 was paid by the Company. At 31 December 2016 the outstanding balance was US\$20,363. There were no transactions prior to 2016.

Synergy has been providing advice to the Company in connection with the Ncondezi 300MW coal fired power plant, and other potential opportunities in the African power sector.

In May 2016, the Company engaged Synergy to provide financial and transaction advisory services relating to the Project and a potential transaction with a strategic partner. Towards the middle of 2017 the service scope expanded to provide transaction advisory services to identify a new strategic partner which ended up with the signing of the NBO with CMEC and GE, and subsequent process on the JDA. In November 2018, the Company and Synergy entered into an agreement for due diligence and transaction advisory services relating to the evaluation of the GridX investment opportunity and Term Sheet.

Synergy is a global independent consultancy specialising in infrastructure advisory and project finance, and has experience in achieving financial closure for deals worth approx. US\$25bn and M&A advisory for deals worth US\$5bn.

Details of Key Management Remuneration are contained in Note 3.

## 21. 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 2016 half of this budget has been successfully spent in various initiatives. During the year there were no expenditure related to social development programmes (2017:nil). Further to an Addendum, the program was postponed to be completed during the mining phase. In addition, upon receiving the mining concession in 2013 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.

## 22. Events after the reporting date

### *Power project update*

On 28 February 2019, following positive meetings with the Liaison Committee, the updated Project work program and timetable targeting power on the grid by 2023 was approved and the Company's Strategic Partners confirmed that the process to conclude the JDA could now move forward.

### *Shareholders Loan conversions*

In the first half of 2019 a total of US\$935,000 of loan principal plus interest was converted into equity equivalent to 7,193,328 ordinary shares being issued.

### *Share Options executed*

On 14 March 2019 a total of 1,000,000 share options nil value subscription price vested at grant on 25 May 2018 were requested to be exercised. The equivalent to 1,000,000 new ordinary shares of no par value were issued.

### *Warrants conversions*

On 19 March and 1 April of 2019 a total of 1,000,000 warrants at subscription price of 5 pence per share issued on 25 May 2018 were requested to be converted into equity. The equivalent of 1,000,000 new ordinary shares of no par value were issued.

### *GridX JV*

In March 2019, the Company entered into a term sheet with GridX, an African power developer, enabling it to enter into a JV focused on building and operating captive solar and battery storage solutions for the African Commercial and Industrial ("C&I") sector (the "Term Sheet"). Justin Pengilly one of the Directors of GridX is the brother of Hanno Pengilly, the Company's Chief Development Officer and is included as a member of key management under IFRS definitions by the Company.

The above transaction is not considered to represent a disclosable related party transaction under the AIM Rules following assessment by the Board and its advisors.

*Placing*

On 5 April 2019, the Company raised a total of £1.88m (US\$2.48m) before expenses, through a conditional placing and direct subscriptions of 28,856,060 ordinary shares in the Company at a price of 6.50 pence per ordinary share.

*Project Development*

On 29 April 2019, the Company joined the Mozambique government delegation in Beijing, China, for the Second Belt and Road Forum for International Cooperation. During the visit, Ncondezi, CMEC and GE held successful meetings with His Excellency Mr Filipe Nyusi, President of the Republic of Mozambique, the Governor of Tete and the Deputy Minister of MIREME.

## Company Information

<b>Directors</b>	Michael Haworth (Non-Executive Chairman) Estevão Pale (Non-Executive Director) Jacek Glowacki (Non-Executive Director) Aman Sachdeva (Non-Executive Director)
<b>Company Secretary</b>	Elysium Fund Management Limited PO Box 650, 1 <sup>st</sup> Floor, Royal Chambers St Julian's Avenue St Peter Port Guernsey GY1 3JX
<b>Registered Office</b>	Ground Floor, Coastal Building Wickham's Cay II PO Box 2136, Carrot Bay VG1130 Road Town Tortola British Virgin Islands
<b>Company number</b>	1019077
<b>Nominated Advisor and Corporate Broker</b>	Liberum Capital Limited Ropemaker Place Level 12 25 Ropemaker Street London EC2Y 9AR
<b>Auditors</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>Registrar</b>	Computershare Investor Services (BVI) Limited Woodbourne Hall PO Box 3162 Road Town Tortola British Virgin Islands
<b>Legal advisor to the Company as to BVI law</b>	Ogier LLP 41 Lothbury London EC2R 7HF
<b>Legal advisor to the Company as to English law</b>	Bryan Cave Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA