

Ncondezi Energy Limited

Annual Report and Financial Statements

for the year ended 31 December 2020

Contents

1 - 2	Overview and Highlights
3 - 5	Chairman's Statement
6 - 10	Operations Review
11 - 12	Financial Review
13	Environmental and Social Responsibility
14	Directors' Biographies
15 - 16	Directors' Report
17 - 21	Risk Factors
22 - 25	Corporate Governance Statement
26 - 27	Remuneration Committee Report
28	Statement of Directors' Responsibilities
29 - 35	Independent audit report to the members of Ncondezi Energy Limited
36	Consolidated statement of profit or loss and other comprehensive income
37	Consolidated statement of financial position
38	Consolidated statement of changes in equity
39	Consolidated statement of cash flows
40 - 67	Notes to the consolidated financial statements
68	Company Information

Overview & Highlights

Our Vision

Ncondezi Energy Limited (the “Company” or “Ncondezi”) is an emerging African power development company focused on providing reliable and accessible baseload energy and solar photovoltaic (“PV”) and battery storage solutions to the Commercial & Industrial (“C&I”) sector in Mozambique.

We aim to support the Mozambique Government’s energy strategy of universal electricity access by 2030 through our flagship advanced stage, integrated 300MW thermal coal power plant and mine project located in the Tete Province, northern Mozambique (collectively the “Project” or the “Ncondezi Project”). According to the World Bank, only 30% of the Mozambican population had access to energy in 2017.

Designed to provide greater grid stability, securing against the effects of water drought and the intermittency of new large scale renewable projects, the Project will provide 300MW of reliable and available power helping to close the infrastructure gap of the region and serving as a catalyst for economic development. It will be equipped with state of the art emissions control technologies that will reduce local air pollutants, minimising the power plant’s impact on the environment and ensuring its compliance with the most stringent emission standards set by the World Bank.

We believe the C&I solar PV and battery storage sector offers the Company a significant growth opportunity which builds on management experience in the power sector and accesses growing demand for renewable energy and near-term low-risk annuity income streams. Our solar PV and battery storage solutions will provide companies with a cheaper, more secure, green energy supply that will also assist in delivering growing ESG goals.

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

Operational Highlights:

Ncondezi Power Project

- Submission of tariff proposal to the Mozambican Government and Electricidade de Moçambique (“EDM”).
- Transmission Integration Study and Mozambican Power Market Outlook Study updates (the “Independent Studies”) commissioned and submitted following initial tariff discussions with EDM.
- Shareholders Agreement Term Sheet (“SHA TS”) signed with China Machinery Engineering Corporation (“CMEC”).
- Submission of Historical Cost Audit to CMEC.
- Supplementary Agreement (“SA”) to the Joint Development Agreement (“JDA”) signed with CMEC agreeing basis for accelerated development work to be carried out on the Project.
- Updated Feasibility Study submitted to EDM.

C&I Solar PV and Battery Storage Projects

- Force majeure notice issued on maiden C&I 400kWp solar PV plus 912kWh battery storage project (“C&I Maiden Project”) following travel restrictions due to the global outbreak of COVID-19.
- Relationship Agreement signed with GridX Africa Development (“GridX”) to fund a pipeline of projects in Mozambique up to a total of US\$5.5 million.

Overview & Highlights

Corporate Highlights

- Scott Fletcher, the Company's largest shareholder, appointed as a Non-Executive Director of the Company.

Financial Highlights

- US\$250,000 drawn down from the US\$750,000 working capital facility. Facility expired end of June 2020.
- "In principle" support received from all Shareholder Loan holders for Shareholder Loan restructuring proposal.
- Board and management signed a binding undertaking ("Undertaking") not to call in the Shareholder Loan before the later of 30 November 2022 or when the Restructuring is completed.
- Two successful fund raises to finance general working capital, the first in May 2020 raising £650,000 at 3.0p, the second in November 2020 raising £750,000 at 4.5p.
- Cash at bank of US\$0.9 million as at 31 December 2020. Based on management projections the Group is funded into September 2021 with further funding required to meet operating cash flows under current forecasts before the end of Q3 202 or in the event of accelerated project advancement.

Post balance sheet events

- US\$21.0 million historical costs relating to the Ncondezi Project agreed "in principle" with CMEC.
- Remobilisation of construction at C&I Maiden Project.
- Master Services Agreement ("MSA") signed with Synergy Consulting ("Synergy") to provide financial and transaction advisory services to the Group for the Ncondezi Project.
- US\$500,000 bridge loan ("Bridge Loan") between the Company's wholly owned renewables subsidiary, Ncondezi Green Power Holding Ltd ("NGP") and certain Company Directors to finance the construction of C&I Maiden Project.
- NGP and Captive Power Limited ("CPL") signed a binding Relationship Agreement under which NGP has the right (but not the obligation) to fund a pipeline of C&I solar and battery storage projects in Mozambique. The CPL Relationship Agreement supersedes the existing Relationship Agreement signed with GridX. As part of the suspension process, GridX agreed to novate to CPL all commercial agreements in relation to the C&I Maiden Project and to release to CPL any rights in relation to 5 of the existing 6 projects in the pipeline.
- Term sheet with binding exclusivity signed between NGP and Nesa Capital (Pty) Ltd and Nesa Engineering (Pty) Ltd (collectively "NESA") detailing proposed formation of a new joint venture company ("JVCo") to create a leading regional Southern African champion in the C&I renewable energy and battery storage sector.
- Binding agreement signed between NESA, Nesa Investment Holdings ("NIH") and NGP granting NESA and NGP exclusive rights to negotiate terms on which they would acquire, through the proposed JVCo, a minimum 51% interest in a 15.5MWp solar PV plus 0.2MWh battery storage C&I portfolio across 66 sites in South Africa (the "NIH Portfolio") with a subsequent option to acquire up to 100% within a 5 year period.

Chairman's Statement

Dear Shareholder,

2020 was an unprecedented year due to the COVID-19 pandemic. Despite the global shutdowns the Company continued to make significant progress at the flagship Ncondezi Project and advance the C&I renewable energy subsidiary NGP.

Whilst there is increasing global pressure for energy generation to transition away from coal, the needs for developing countries, such as Mozambique, to implement a diversified generation mix on their grids for greater energy security combined with the provision of low cost reliable power supply to support economic growth provide a window in which such generation remains suitable. Within this global context, we are at a critical stage in the Project's development where a significant amount of work has been completed establishing the Project as one of the most advanced baseload projects in Mozambique, with strong support from China through our joint venture partner CMEC. The next phase to further de-risk the Project involves finalisation of the Project tariff with EDM and a clearly laid out plan from Government to achieve Financial Close ("FC"). These discussions are ongoing, and we believe the Project has been well positioned for success having delivered on all milestones requested by EDM and Government in 2020.

Beyond the Ncondezi Project, the Company has an opportunity to further capitalise on its ten year experience in power development in one of the most dynamic regions in the world. Having considered the various opportunities available, we believe the C&I solar PV and battery storage sector provides a unique opportunity where the Company has early mover advantage and can plan to become a regional champion. With our C&I Maiden Project due for imminent commissioning, the recent signing of a Relationship Agreement with CPL and a Joint Venture Term Sheet with NESAs, we have a clear roadmap for the formation of a cash generative business with a pipeline of projects to generate over 110MWp Solar PV and 14.5MWh of battery storage. This would represent one of the largest C&I portfolios on the continent. The recently announced cap increase on C&I projects in South Africa from 1MW to 100MW is forecast to add up to 15,000MW of new projects over the coming 5 to 7 years representing approximately ZAR100 billion in investment. The proposed new JVCo puts the Company in prime position to take advantage of this.

As we look forward, we have to acknowledge the changing investor appetite in the West for renewable versus fossil fuel projects. In order to ensure that both sides of the Business are able to achieve their full value for Shareholders, the Company has initiated an internal review to assess the optimal ownership structure for the Company's coal baseload and C&I renewable energy projects. I look forward to sharing the outcome of the review in due course.

Significant progress at the Ncondezi Project

A number of key milestones were delivered at our flagship Ncondezi Project, including submission of the tariff proposal to EDM and the Mozambican Government, signing of the SHA TS with our partners CMEC, submission of the Historical Cost Audit to CMEC and a SA to the JDA signed to accelerate development work on the Project.

We believe the tariff proposal submitted is commercially attractive being competitive with existing gas power plants in Mozambique and over 10% lower than the previously agreed EDM tariff in 2015. Despite China shutting down at the start of the year, our partners CMEC worked tirelessly to ensure we delivered the tariff proposal on time to EDM and the Mozambican Government. Subsequently, and in reaction to the unfolding global crisis, EDM asked the Company to update two studies, the Transmission Integration Study which focuses on the optimal integration point for the Project and the Power Market Outlook Study, which reviewed the energy needs for Mozambique based on the latest data and how the Project would meet them. Both studies were completed and submitted on time alongside the updated Project Feasibility Study, and we believe they have further solidified the case for the Project.

In the meantime, at the end of August we were delighted to sign the SHA TS that sets out the agreed basis for the long form Shareholders Agreement and Subscription Agreement with our partners CMEC. Importantly it states that the Company will retain 40% equity in the Project and with the agreed Investment Conditions, it provides a roadmap for CMEC's investment into the Project.

Chairman's Statement

The signing of a SA to the JDA in November enabled CMEC to fund specified accelerated development works at the Project. A provisional budget of US\$1.8 million was approved. We also submitted our historical cost audit to CMEC for review and received "in principle" agreement to repay US\$21.0 million providing a clear crystallisation of value for Ncondezi Shareholders. Finalisation of the historic costs will take place once the tariff has been agreed by EDM.

Tariff negotiations continue with EDM. We appointed Synergy Consulting as Project Advisors in March 2021 to assist with a number of potential advisory services to the Company including finalisation of the tariff, negotiations with CMEC over the subscription price and Project lenders for debt financing and for capital raising to fund our share of the equity at FC.

Tariff negotiations with EDM, whilst taking longer than the agreed timetable, remain positive. We have received approval from EDM and other relevant parties to conduct further work on an optimised transmission integration solution that is expected to further reduce costs. This work is not expected to impact the negotiations and will continue in parallel with them.

Advancing our C&I renewable energy strategy

Having successfully entered the C&I solar PV and battery storage sector in 2019 with the formation of our wholly owned renewable energy subsidiary NGP, the travel restrictions put in place to combat the COVID-19 pandemic resulted in force majeure being declared at our C&I Maiden Project. We were very pleased to announce in the first quarter of 2021 that the force majeure had been lifted and construction recommenced on what we believe to be the first fully off grid solar PV plus battery storage project of its type in Mozambique. The business model for NGP is to identify quality projects and finance them through either an Asset Finance Agreement ("AFA") or a Power Purchase Agreement ("PPA") over a 15 to 20 year period. This structure provides all the benefits of lower cost, more reliable and sustainable power generation to the energy off-taker without the upfront cost of the equipment installation. NGP has financed the C&I Maiden Project through an AFA structure which provides for fixed monthly payments by the energy off-taker over a 15 year period. A Bridge Loan was provided by certain Company Directors, including myself, at the NGP level to ensure the C&I Maiden Project is fully financed to commissioning. Construction restarted in March and it remains on track to be commissioned imminently with the first payments due to start in July.

Building on the recent Relationship Agreement NGP signed with CPL, that supersedes the previous Relationship Agreement with GridX and secured our US\$5.5 million Mozambique pipeline, we announced that NGP had signed a term sheet with NESA proposing the formation of a new JVCo.

The new JVCo would create a regional champion in the southern African C&I renewable energy sector with a proven management team, operational portfolio of 15.9MWp solar PV and 1.1MWh battery storage across 67 sites in South Africa and Mozambique and a clear pathway to scale the business with a project pipeline currently sitting at 94.5MWp solar PV and 13.5MWp battery storage.

We have received significant interest in our C&I strategy and a capital raising programme is already underway targeting a fundraise directly into JVCo for working capital purposes and towards its acquisition of NIH Portfolio and long term growth strategy. Non-binding offers have been received from multiple parties to provide equity funding into JVCo and debt term sheets have been received from debt providers to leverage the combined operational portfolio. We are looking to finalise this process during Q3 2021.

We remain very excited about the C&I solar PV and battery storage sector as it allows us access to near-term low-risk annuity income streams and we continue to see significant growth potential as energy users increasingly turn to self-generation solutions and regulations relax.

Financing

During the course of 2020 the Company successfully completed two fundraisings and we welcomed a number of new investors to the register while also gaining support from existing holders. Further to this, in order to minimise dilution to existing Shareholders and to demonstrate their commitment, CEO Hanno Pengilly, members of the Senior Management Team and certain consultants agreed in May a deferral of

Chairman's Statement

30% of fees owed until the end of November 2020.

Of the US\$750,000 working capital facility put in place in October 2019 to strengthen the balance sheet, only US\$250,000 was drawn down and it subsequently expired at the end of June 2020.

We continue to work to extend and restructure the Shareholder Loan which matured on 30 November 2019. "In principle" support was received from all Lenders to enter the Shareholder Loan restructuring proposal in November 2019 and again in May 2020. To provide investors with confidence that the Shareholder Loan will not be called in imminently, certain Board and Management who represent 39.6% of the Shareholder Loan signed an Undertaking not to call it in before the later of 30 November 2022 or when the Restructuring is completed. This ensures that the majority of 66.67% required to call in the Shareholder Loan will not be reached. We remain confident of a positive outcome as there is significant alignment between the Loan Holders and the major Shareholder and Senior Management of the Company with 87% of the loan outstanding held between Africa Finance Corporation ("AFC") (the Company's second largest Shareholder), the Board and Senior Management.

As at the end of the reporting period, the Company had cash reserves of approximately US\$0.9 million. Based upon projections that include corporate costs, salaries of staff and consultant fees, project costs to progress the Project and C&I projects, the Group is funded into September 2021. Further funding will also be required to meet operating cash flows under current forecasts before the end of Q3 2021 or in the event of accelerated project advancement. Further details can be found in the Going Concern note 1.

Acknowledgements

Following his resignation from the Board in May 2020 I would like to thank Estevão Pale for his invaluable support and guidance throughout his Directorship and we wish him well in his role as Chairman of Mozambique national oil company, Empresa Nacional de Hidrocarbonetos. In October 2020 Scott Fletcher, our largest Shareholder, was appointed to the Board. Scott is uniquely placed to represent independent Shareholder interests and his input has been invaluable. I would also like to thank the team and our Partners for their hard work during what has been a challenging time for everyone. They have continued to make excellent progress across all our workstreams, despite the travel restrictions in place. Finally, my thanks go to our loyal Shareholder base for their support and patience, and we look forward to providing further positive updates going forwards.

Michael Haworth
Non-Executive Chairman

24 June 2021

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 PV and battery storage sector to build and operate power solutions for the Mozambique C&I sector.

Ncondezi Project

Project Tariff Process

As per the announcement on 31 March 2020, the Company submitted a formal tariff proposal to the Mozambican Government and EDM. The Proposal was supported by:

- Executed JDA;
- Engineering, Procurement and Construction (“EPC”) and Operations and Maintenance (“O&M”) proposals from CMEC and GE Energy Switzerland GmbH (“GE”);
- Indicative debt financing terms from a leading financial institution; and
- A Letter of Interest from a leading export credit agency.

The proposal submission was the final milestone required to initiate tariff negotiations with EDM and the Mozambican Government. Once approved, the tariff offer will confirm the Project economics and viability, allowing the development process to focus on finalising the PPA and Power Concession Agreement (“PCA”) ahead of FC.

Following the tariff submission, it was agreed between EDM and the Company that both the Transmission Integration Study and Power Market Outlook Study would be updated. This work required access to proprietary information from EDM which was only made available following the tariff submission. The updated Transmission Integration Study was completed and submitted to EDM and the Company have recently received all the relevant approvals needed to conduct further work on an optimised transmission integration solution which is expected to further reduce costs.

The Power Market Outlook Study was submitted to EDM in December 2020 in conjunction with the Developer Studies, which represented the last outstanding requirement from EDM following submission of the tariff proposal earlier in the year. The third party Power Market Outlook Study confirmed the Project’s strategic importance and that it is one of the most advanced and credible baseload power supply options in Mozambique and one of the most competitive coal power projects in the region.

The next step is to receive a formal response from EDM on the tariff negotiation process, which was originally targeted for Q1 2021, however at the time of writing is still outstanding.

The Company is proactively engaging with both EDM and Government to reach a conclusion on an agreeable work plan and timetable as soon as possible. Agreement on the tariff is expected to unlock the remaining milestones including; finalisation of the 60% subscription price to be paid by CMEC, the PPA, PCA and FC.

Power Plant EPC Agreement

In parallel to the tariff negotiations, the Company has continued to progress the EPC agreement contract for the power plant with CMEC. This is expected to be the largest construction contract for the Project and a final draft of the power plant EPC contract has been submitted to CMEC for final review and signature.

Shareholders Agreement Term Sheet

As per the announcement on 28 August 2020, the Company signed the SHA TS with CMEC, confirming Ncondezi will retain a 40% equity interest in the Project. The SHA TS sets out the agreed basis for the long form Shareholders Agreement and Subscription Agreements (the “Full Form Agreements”), which will be finalised between the parties once the investment conditions are met.

Operations Review

The key principles agreed include:

- CMEC (or its affiliate) to subscribe for 60% equity in the Project following execution of the Full Form Agreements (subject to relevant corporate and regulatory approvals)
- Ncondezi to retain 40% equity participation in the Project
- Investment Conditions agreed for execution of Full Form Agreements
- CMEC and Ncondezi to fund agreed development costs from satisfaction of investment conditions up to FC on a 60:40 basis
- CMEC to lead debt financing process from Chinese financiers
- Defined governance and management structures for the Project
- Agreed that the board of the Project will consist of three Directors nominated by CMEC and two Directors nominated by Ncondezi
- The Board will appoint a senior management team after signing of the Shareholder Agreement but before FC when first drawdown of initial funds for construction commences
- The Shareholder Agreement is governed by and construed in accordance of English law

The Investment Conditions include:

- Approval of the tariff envelope by EDM
- Ncondezi historical costs agreed
- EPC Agreements signed
- O&M Agreements signed
- Agreement on the 60% subscription price to be paid by CMEC
- An adequate debt security package committed to by EDM and the Government of Mozambique meeting the requirements of investors and lenders
- Agreement reached on the Work Program and Budget for development costs until FC
- All relevant approvals attained

The SHA TS is based on and builds on the JDA signed in July 2019. Whilst the Full Form Agreements are being finalised, the JDA will remain in full force and effect. GE is not a signatory to the SHA TS but is the Project's technology partner. Following the announcement from GE on 21 September 2020 regarding their intention to exit the new build coal power market, the Company has held discussions with GE Steam Power and CMEC and confirms any potential impact on the Project is not material to the Project outcome. In the event that a new technology partner is required, CMEC has put in place a contingency plan and compiled a preferred list of partners who are familiar with the Project. CMEC has indicated that such a process would take approximately 1 month to complete, if required.

As per the announcement on the 16 November 2020, the Company signed a SA to the JDA with CMEC, pursuant to which CMEC would fund specified accelerated development works at the Project. A provisional budget of US\$1.8 million was approved by the parties, to be funded by CMEC. Funds drawn down as part of the SA will be treated as pre FC Project development costs to be reimbursed at FC along with the Company's approved historical development costs or by the Company or its affiliates in certain circumstances including the Company achieving FC with a third party, or on the sale or liquidation of the Project company holding the mine project or the power project. A form of share pledge was agreed by the Company and CMEC as security for the funding made by CMEC. Development work agreed within the provisional budget has commenced and is expected to accelerate as soon as a tariff negotiation process is agreed with EDM.

Historical Cost Audit

As per the announcement on 29 September 2020, the Company submitted the historical cost audit report to CMEC for review. The audit report covered Ncondezi development expenditure on the mine and 300MW coal-fired power project over the last 10 years and was completed by an international independent audit firm. The costs of carrying out the audit report have been covered by CMEC.

Operations Review

In January 2021 US\$26.7 million was “in principle” agreed as the target Project historical expenditure. US\$21.0 million expenditure was audited by a third-party and the audit report was accepted by CMEC “in principle” to be reimbursed to the Company at FC. US\$5.7 million of costs relating to historical senior and Project management costs are still under negotiation. The historic costs will be finalised when the Project power tariff has been approved by EDM. Agreement of the historical costs is a key condition precedent for the Full Form Agreements between Ncondezi and CMEC and is in addition to the subscription price to be agreed for the 60% share in the Project and the Project developer’s fee.

C&I Solar PV and Battery Storage

Ncondezi Green Power

NGP is a wholly owned subsidiary of Ncondezi which provides solar PV and battery storage solutions for the African C&I sector to replace existing off-grid (normally diesel) power supplies, or to supplement on-grid connections.

NGP provides a full turnkey solution to potential C&I clients, partnering with developers and EPC providers to design, finance, construct and operate solar PV and battery storage installations. For projects that meet its screening and credit approval process, NGP provides a full financing solution for the installation, removing the upfront cost to potential C&I clients. Projects are financed through either an AFA or PPA structure which splits payments over a 15 to 20 year period, to which NGP generates its return. NGP works with tier 1 equipment suppliers and allocates key responsibilities to professionals best suited to managing risk during both the construction and operation phase of a project’s life.

This process takes the complications out of delivering a suitable energy solution for companies interested in lowering their energy bills, improving energy security, and utilising more sustainable forms of energy generation to reduce carbon emissions, NGP entered the C&I sector in 2019 when the Company announced its first investment in the C&I Maiden Project, believed to be the first project of its type in Mozambique.

NGP has also secured the right to fund a US\$5.5 million C&I project development pipeline in Mozambique through a Relationship Agreement with CPL.

In June 2021 NGP signed a Term Sheet with NESA proposing the formation of a new JVCo to create a leading regional southern African champion in the C&I renewable energy and storage sector.

C&I Maiden Project

The C&I Maiden Project achieved FC in October 2019, with NGP agreeing to finance the project through a 15 year AFA. The key project parameters are summarised below:

- 400kWp solar PV plus 912kWh battery storage project
- Fully off-grid project, believed to be the first project of its type in Mozambique
- Utilising market leading equipment including JA Solar panels, ABB Inverters and Tesla Power Pack
- Targeting generation of up to 600MWh and CO2 savings up to 517t per annum
- 15 year fixed price offtake agreement, denominated in US\$ with annual price escalations
- Contracted income of US\$3.1 million over the life of the project

Following the outbreak of COVID-19 travel restrictions were put in place by the Government of Mozambique. In April 2020 the project off-taker for the C&I Maiden Project issued a force majeure notice to the Company due to the inability to provide site access for construction. The project was placed on hold pending the lifting of travel restrictions, which occurred in March 2021 when NGP remobilised construction. A US\$500,000 Bridge Loan between NGP our wholly owned subsidiary and certain Company Directors was entered into in May 2021 to ensure the project was fully financed to commissioning.

Operations Review

As at the date of this report the mounting structures, solar panels, batteries, inverters and generator have been installed, and are awaiting final testing for commissioning which is expected imminently.

Relationship Agreement with GridX

In May 2020, the Company announced that NGP had signed a binding Relationship Agreement with GridX giving it a Right of First Refusal ("ROFR") to fund up to US\$5.5 million of GridX developed projects in Mozambique. In June 2021 this agreement was suspended, it may be reinstated by mutual agreement between the parties. As part of the suspension process, GridX has agreed to novate to CPL all commercial agreements in relation to the C&I Maiden Project currently under construction, and to release to CPL any rights in relation to 5 of the existing 6 projects in the pipeline.

As part of the GridX Relationship Agreement, GridX agreed to forego payment of the final amount of the GridX Fee (US\$130,000) payable under the previous arrangement signed in April 2019. There are no further cash payments to be made to GridX. In the prior year an amount of US\$0.5 million was recognised as JV investment in regard to the ROFR and associated costs incurred. Following the signing of the Relationship Agreement the right is now held in NGP instead of the JV and therefore the JV investment was derecognised and an intangible asset of US\$0.5 million was recognised in May 2020.

In addition, GridX AssetCo ("C&I SPV"), a special purpose vehicle set up specifically for the Company's first solar PV and battery storage project investment, has become a wholly owned subsidiary of NGP through the purchase of all GridX's A class shares at par value totalling US\$100. Following the acquisition and novation to CPL, GridX no longer has any management or acquisition rights in the C&I SPV, and CPL will continue to provide management services. Furthermore, GridX has agreed that as soon as it becomes the owner of any plant and materials relating to the C&I Maiden Project, it shall immediately transfer ownership of such plant and material to the C&I SPV for no additional consideration. As at year end the C&I SPV did not have rights to the assets. Following the acquisition in the year, a loan receivable of US\$0.7 million was recognised for the funding provided by C&I SPV under the AFA.

Relationship Agreement with CPL

In June 2021, the Company announced that NGP had signed a new binding Relationship Agreement with CPL giving it the ROFR (but not the obligation) to fund a pipeline of C&I solar PV and battery storage projects in Mozambique. This agreement supersedes the existing agreement signed with GridX in May 2020.

Under the agreement, CPL has identified 6 Initial Projects for development with a combined potential installed PV capacity of 2.8MWp and 6.2MWh battery storage. Capital costs range from US\$250,000 to US\$2.1 million. Should these Initial Projects meet the minimum KPI's and NGP exercises its right to fund, it would represent a potential annuity income stream of over US\$750,000 per annum.

Each project must meet a minimum set of KPIs before being presented to NGP for funding. These minimum KPIs include:

- Project must be located in Mozambique;
- Project size between US\$100,000 and US\$10,000,000;
- Use of proven technology;
- Minimum post tax unlevered equity IRR of at least 10% to NGP;
- Minimum credit requirements met;
- 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 in place.

Operations Review

NGP will have the right to fund 100% of each project's equity requirement, and projects will be assessed for funding on a project by project basis. The Company will look to identify the optimal financing strategy for each project, particularly with respect to securing funding at the NGP subsidiary level and will look at both debt and equity options with gearing of up to 50%. Discussions with potential investors and debt providers to date have been positive as investment mandates and appetites to fund energy access and renewable power projects continue to grow.

If a project meets the minimum KPIs, NGP has the right not to fund that project without any financial penalty. However, should NGP elect not to fund any further projects that meet the minimum KPIs, it will lose its ROFR over the remaining projects. If a project does not achieve the KPIs within the proposed time frame allocated, CPL has the ability to substitute that project for alternative projects.

As part of its ordinary course of business as a developer, CPL is entitled to a capped development fee for each project that NGP funds, included as part of the project capital cost.

CPL is expected to provide O&M services for each of the projects that achieves FC in accordance with market-related commercial terms for projects of a similar nature, contracting directly with the power off-taker.

Certain incentives to encourage CPL 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 NGP.

The Relationship Agreement will expire at the earlier of Ncondezi financing US\$5.5 million of projects or 24 months from the date of the Relationship Agreement.

Shareholder Loan

The Shareholder Loan term expired on 30 November 2019 with no extensions or restructuring legally agreed as at period end. The Shareholder Loan was US\$4.7 million as at period end, with interest of 12% continuing to be accrued on the outstanding balance.

As at 18 June 2021, the repayment amount due was US\$5.0 million which includes principal, rolled up premiums under the previous loans and interest.

The Company has received "in principle" support from all Lenders to enter the Shareholder Loan restructuring proposal as set out below:

- 12 month extension on existing terms, including 12% annual interest rate and ability for Lenders to swap debt for equity in part or in full at a conversion price of 10.0p per share.
- A right for Ncondezi to pay off the original principal amount of the Shareholder Loan along with conversion of all interest into Ncondezi shares on AIM at a 25% to 30% premium to the 30 day volume weighted average price ("VWAP").

The restructuring process is currently subject to the completion of Key Lender internal approval from AFC, which has incurred delays from the impact of COVID-19.

On 26 November 2019 and reconfirmed on 20 May 2020, all Lenders, including AFC, indicated that they will not call in the Shareholder Loan whilst the Restructuring is being finalised. On 3 November 2020 certain Board and management, including Chairman Michael Haworth and CEO Hanno Pengilly, who represent 39.6% of the Shareholder Loan signed an Undertaking not to call in the Shareholder Loan before the later of 30 November 2022 or when the Restructuring is completed. The Undertaking prevents the Shareholder Loan from being called as a majority agreement representing 66.7% of Shareholder Loan holders is required.

The Restructuring is subject to the Lenders agreeing to the documentation and the necessary related party transaction process being completed by the Company's Independent Directors.

Financial Review

Results from operations

The Group made a loss after tax for the year of US\$2.8 million compared to a loss of US\$2.3 million for the previous financial year. The basic loss per share for the year was 0.8 cents (2019: 0.7 cents).

Administrative expenses (excluding share based payment charges) totalled US\$1.6 million (2019: US\$1.2 million). Administrative expenses refer principally to staff costs, professional fees and marketing costs and underlying administrative expenses relating to advancing the integrated power and mining project and C&I projects. The US\$0.4 million increase mainly relates to professional fees and amortisation charges in the year.

The expense arising from equity-settled share options made to Directors was US\$0.3 million for the year (2019: US\$0.4 million) made to Directors, executive senior management and contracted personnel as set out on note 19.

The loss after tax includes US\$0.9 million (2019: US\$0.7 million) finance cost comprising mainly of US\$0.5 million of effective interest charges on the Shareholder Loan and US\$0.4 million of fair value loss on the derivatives.

Financial Position

The Group's statement of financial position at 31 December 2020 and comparatives at 31 December 2019 are summarised below:

	2020	2019
	US\$'000	US\$'000
Non-current assets	19,371	19,032
Current assets	965	748
Total assets	20,336	19,780
Current liabilities	6,324	4,668
Total liabilities	6,324	4,668
Net assets	14,012	15,112

Capitalised additions totalled US\$0.15 million (2019: US\$0.06 million) in respect of the development of the Power Project, refer to note 7 for more details. 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 non current asset of US\$0.4 million (2019: US\$0.06 million) is in respect of the capitalised additions noted above and additional funding provided under loans receivable for the construction of the C&I Maiden Project as detailed in note 10, partly offset by the amortisation of intangible asset as detailed in note 8.

The increase in current liabilities principally relates to new derivatives issued during the year, Shareholder Loan interest charges and the drawdown of US\$0.3 million from the working capital facility entered in October 2019, together with accrued interest.

Cash Flows

The net cash outflow from operating activities for the year was US\$1.3 million (2019: US\$1.2 million).

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

Net cash outflow from investing activities was US\$0.6 million (2019: US\$0.8 million), mainly related to additional funding provided under loans receivable on C&I solar PV and battery storage equipment in respect of the development of the C&I Maiden Project as detailed in notes 10 and 11.

Net cash inflow from financing activities was US\$2.0 million (2019: US\$2.3 million) mainly relating to the net amount of US\$1.8 million from placings of 38,333,333 Ordinary Shares in the Company at a

Financial Review

price of 4.5p and 3.0p per Ordinary Share and US\$0.3 million relating to the drawdown from the working capital facility.

The resulting year end cash and cash equivalents held totalled US\$0.9 million (2019: US\$0.7 million).

Outlook

Based upon projections that include corporate costs, salaries of staff and consultant fees, project costs to progress the Project and C&I projects, the Group is funded into September 2021. Further funding will also be required to meet operating cash flows under current forecasts before the end of Q3 2021 or in the event of accelerated project advancement. The Directors are exploring a number of funding and working capital solutions. At present there are no binding agreements in place and there can be no certainty as to the Group's ability to raise additional funding.

The Directors are also aware of the potential risk of delays as a result of the COVID-19 pandemic. Operations are currently unaffected however there is no certainty that further delays may not occur in the future which may lead to further funding requirements.

The Company continues to evaluate options to execute the Shareholder Loan restructuring process as proposed on 26 November 2019. In the meantime, the Undertaking signed by certain Board and management who represent 39.6% of the Shareholder Loan prevents the Shareholder Loan from being called as a majority agreement representing 66.67% is required.

The financial statements have been prepared on a going concern basis in anticipation of a positive funding outcome but it is important to highlight that there are no binding agreements in place and 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. Further details can be found in Going Concern note 1.

Environmental and Social Responsibility

Sustainability

Ncondezi is committed to operating in a sustainable and responsible manner. The Company takes a long-term strategic approach to the conduct of its business, with corporate responsibility as a key priority. We are focused on achieving the highest standards of ethical behaviour, health and safety, environmental stewardship, and governance, while sharing the benefits of our operations with our host communities and host country.

Social Development

Ncondezi's Social Development Programme was put on hold pending further Project developments. Following this the Company is working with its partners to put in place a road map to ensure the Company meets the highest levels of sustainability at all stages of development. Further updates will be provided to Shareholders in due course.

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 surrounding the Ncondezi Project.
- 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.

Commitment to Low Emissions

The Company is committed to maintaining the strictest emission standards at the Project where state of the art emission control systems will be in place to ensure SO_x and NO_x emissions are below current IFC and World Bank standards and will also comply with the latest OECD guidelines and Equator Principles.

Ensuring Energy Security and Access to Low Cost Reliable Power

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 improving Mozambique's energy security by reducing Mozambique's dependence on hydroelectric power (particularly in the north), where current generation is vulnerable to the extreme weather effects of climate change.

Whilst there is increasing global pressure for energy generation to transition away from coal, the needs for developing countries, such as Mozambique, to implement a diversified generation mix on their grids for greater energy security combined with the provision of low cost reliable power supply to support economic growth provide a window in which such generation remains suitable. It will also allow for deeper energy generation from intermittent renewable energy sources such as solar PV and wind.

Looking to the Future

As a Company we acknowledge the changing investor appetite in the West for renewable versus fossil fuel projects. We recognise that future energy generation will increasingly focus on renewable energy solutions. Our entry into the C&I solar PV and battery storage sector allows us to offer corporates an opportunity to reduce their carbon emissions and source more sustainable forms of energy.

Directors' Biographies

The following sets out the biographies of the directors as at 31 December 2020.

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.

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 was nominated to serve as a Non-Executive Director by AFC.

Scott Fletcher / Non-Executive Director (*appointed on 29 October 2020*)

Scott Fletcher is one of the UK's leading entrepreneurs and boasts an MBE for services to business and community in the north of England as well as an honorary Doctorate in Business Administration. Mr Fletcher founded his first company in 1996 ANS Group, growing it to become a leading cloud services provider in the UK today. Mr Fletcher is also an active investor in smaller companies both private and public.

Hanno Pengilly / Chief Executive Officer

Hanno has considerable knowledge in the power and mine sectors on the back of his experience in the business over the last 10 years. Hanno joined the Company in 2010 and has been the Company's Chief Development Officer since May 2012. Hanno has been responsible for managing key project milestones including the delivery of the power plant and mine feasibility studies in 2013 and 2014. Since May 2017, Hanno has led the Company's strategic partner process, which successfully resulted in the signing of a binding JDA in July 2019 and led the Company in key negotiations with the Mozambique government and state power utility EDM. Prior to joining the Company, he was an investment banker at JP Morgan, based in the United Kingdom and South Africa, and predominantly focused on natural resources. He holds a BSc in Economics.

Directors' Report

The Directors present their annual report and the audited group financial statements headed by Ncondezi for the year ended 31 December 2020.

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. The Group also continues to advance its solar PV and battery storage strategy in the C&I sector in Mozambique.

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 on pages 17 to 21.

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 22.

Key performance indicators

The key performance indicators of the Group are as follows:

	2020	2019
Mine and Power development expenditure (US\$'000)	152	58
C&I projects funding (US\$'000)	418	769
Share price at 31 December (pence)	5.50	6.30
Cash at bank at 31 December (US\$'000)	853	722

Results and dividends

The results of the Group for the year ended 31 December 2020 are set out on page 36.

The Directors do not recommend payment of a dividend for the year (2019: US\$nil). The loss will be transferred to reserves.

Events after the reporting date

See note 25 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 22 of the financial statements.

Going concern

Based upon projections that include corporate costs, salaries of staff and consultant fees, project costs to progress the Project and C&I projects, the Group is funded into September 2021. While the C&I Maiden Project, currently under construction, is fully funded by a US\$500,000 bridge loan, projections do not include any unforeseen further funding and assumes that the existing debt will be refinanced or converted during Q3 2021. The Company will focus on raising funding at the subsidiary level for future C&I projects to ensure cash reserves are prioritised for the immediate funding needs of the main Project. The working capital facility of US\$750,000 expired on 30 June 2020, during the period US\$250,000 was drawn down. The Shareholder Loan of US\$5.0 million as at 18 June 2021 (principal, historic redemption premium and interest) matured on 30 November 2019. Certain lenders have signed an Undertaking not to call in the Shareholder Loan before the later of 30 November 2022 or when the restructuring is completed. Nevertheless, the Company is currently evaluating options to execute the restructuring process as proposed on 26 November 2019. Details on going concern are contained in note 1 of the financial statements.

Directors' Report

The COVID-19 pandemic represents a risk to a number of aspects of the Company's business and there is considerable uncertainty relating to the pandemic duration and its impact. The Company continues to closely monitor the impacts on its projects and to develop appropriate response plans.

Directors and Directors' interests

Director	Note	Appointment date	Ordinary Shares held 31 December 2020	Ordinary Shares held 31 December 2019
Michael Haworth	1	01.06.12	16,759,462	16,759,462
Estevão Pale	2	03.06.10	-	-
Aman Sachdeva	3	21.05.15	-	-
Scott Fletcher	4	29.10.20	63,489,687	-
Hanno Pengilly		09.10.19	291,375	291,375

1. Includes shares held by a trust of which Michael Haworth is a potential beneficiary.
2. Estevão Pale resigned on 05.05.20.
3. Aman Sachdeva is AFC's nominated director. AFC holds 54,988,520 Ordinary Shares representing 15.0% of the issued Ordinary Shares as at 31.12.20 and 14.83% as at 18.06.21.
4. Scott Fletcher was appointed on 29 October 2020 and therefore comparative information is not provided as he was not a Director on 31 December 2019.

Annual General Meeting

Resolutions will be proposed at the forthcoming Annual General Meeting, as set out in the Formal Notice which will be sent to Shareholders in due course. In accordance with the Company's Articles of Association one third of the Directors are required to retire by rotation. Accordingly, Michael Howarth and Aman Sachdeva will offer themselves for re-election at the forthcoming Annual General Meeting of the Company.

Corporate Governance

The Company's compliance with the principles of corporate governance is explained in the corporate governance statement on pages 22 to 25.

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/she 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

24 June 2021

Risk Factors

Risk(s)	Potential Impact(s)	Mitigation Measure(s)
<p>Financing risk</p>	<p>The Group needs to complete the restructuring of its existing loans 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 FC of the Project, the Group will also need to conclude some of its on-going negotiations on key Project agreements, including the Project Power Tariff, PCA and the 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 CPL C&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 CPL projects.</p> <p>To date the Company has successfully raised capital via the issue of new shares and has been funded by way of loans from Shareholders and management. Going forward future capital raises and debt funding will be subject to market conditions at the time which may be impacted by COVID-19, there is no guarantee these will be successful.</p>	<p>The Company is in discussions with the existing Shareholder Loan holders and has received 'in principle' support regarding restructuring of the loans, if necessary, together with exploring funding solutions to refinance the Shareholder Loan. Further to this certain Board Members and management who represent 39.6% of the Shareholder Loan have signed an Undertaking not to call in the Shareholder Loan before the later of 30 November 2022 or when the Restructuring is completed. The Undertaking prevents the Shareholder Loan from being called as a majority agreement of 66.67% is required.</p> <p>Ncondezi has signed a JDA with CMEC and GE which provides financial support to the Project both at the developmental stages to FC as well as during construction.</p> <p>The Company also signed a SA to the JDA with CMEC, pursuant to which CMEC would fund specified accelerated development works at the Project with a provisional budget of US\$1.8 million being approved by the parties and funded by CMEC. Development work agreed within the provisional budget has commenced and is expected to accelerate as soon as a tariff is agreed with EDM. It is important to highlight that there is no certainty that additional funding will be raised.</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 the JDA partners, including selected corporate overheads. Since October 2018, Ncondezi has had a successful track record in raising additional capital with £1.4million before expenses raised during the 2020 financial year despite challenging markets due to the COVID-19 outbreak.</p> <p>The Project is at an advanced level of development. Power Tariff negotiations are underway with EDM and the Mozambique Government. Negotiations have taken place virtually to mitigate the travel restrictions when in place due to COVID-19. Other key workstreams are progressing ahead of finalising the PPA and PCA.</p> <p>The Company has agreed to fund US\$1.1 million, towards the C&I Maiden Project, and has sourced funding through a combination of issuing new shares and a Bridge Loan. The Bridge Loan structure provides the Company with additional advantages</p>

Risk Factors

		<p>including the ringfencing of debt at the NGP subsidiary level and additional optionality and time to further explore refinancing options. The Company is required to repay or refinance the Bridge Loan in Q4 2021 and plans to refinance the Bridge Loan once the C&I Maiden Project enters commercial operation and has been materially de-risked, although discussions with potential funders have already begun.</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>
<p>Off-taker risk</p>	<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%.</p> <p>Power off-taker for NGP's C&I Maiden Project defaults on AFA payments once project is commissioned.</p>	<p>In October 2018, the President of Mozambique launched the "National Electricity Program for All", targeting expansion of energy access rates in Mozambique from 31% in 2018 to 62% in 2024 and 100% by 2030. The program specifies that up to 650MW of new coal power generation is to come online from 2023. As part of this programme, EDM has successfully achieved FC on a number of power projects in 2020 and 2021.</p> <p>Should EDM not be able to offtake the full power supply from the Project, 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.</p> <p>NGP completes a detailed credit review of all potential C&I power off-takers to ensure serviceability of the AFA or PPA before committing to any funding. NGP also looks to enhance credit support for its projects by looking at asset pledges, priority ranking security and debt service reserve accounts.</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 from 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. The December 2020 Market study confirmed the Project as one of the most competitive coal power plant projects in the southern African region.</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>

Risk Factors

		<p>Competition from solar and wind projects is limited in that they are not baseload plants.</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>
Estimating mineral reserve and resource	<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"> • Sign-off of resources by registered Competent Person ("CP"). • Reporting resources in accordance with the JORC code. • Classification of resources into a high level of confidence category. • Conduct detailed geological modelling • The utilisation of accredited laboratories for the analyses of coal samples. • QA/QC procedures according to best practices. <p>Reserves</p> <ul style="list-style-type: none"> • Sign-off of reserves by registered CP. • Classification of reserves into proven or probable reserves. • Detailed mine design and scheduling.
Coal risk	<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>
Transmission grid constraints	<p>Available transmission capacity is allocated to other power generators.</p>	<p>A transmission agreement heads of terms has been signed with EDM and the Mozambican Government to ensure that available transmission infrastructure allocation is secured early and that proper evacuation infrastructure and capacities are available to the Project in line with the Group's strategy.</p> <p>An updated transmission integration study commenced in June 2020 to explore, develop and identify potential optimisations of all potential future transmission options including new transmission capacity in Mozambique as well as other countries including Malawi and Zambia. Approval was received in May 2021 to conduct further work on an optimised transmission integration solution which is expected to further reduce costs.</p>

Risk Factors

<p>Environmental and other regulatory requirements</p>	<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 Assessments (ESIA) have been conducted by independent, internationally recognised consultants, and have been approved by the Mozambican Government.</p> <p>The Project will use state of the art emission control systems, targeting particulates, SOx and NOx emissions below the current IFC and World Bank standards. The Project will also be compliant with the latest OECD guidelines and Equator Principles.</p> <p>The Company's entry into the solar PV and battery storage sector positions it to take advantage of growing demand from corporates to reduce their carbon emissions and source more sustainable forms energy.</p>
<p>Climate Change Risk</p>	<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 improving Mozambique's energy security by reducing Mozambique's dependence on hydroelectric power (particularly in the north), where current generation is vulnerable to the extreme weather effects of climate change. It will also allow for deeper energy generation from intermittent renewable energy sources such as solar PV and wind.</p>
<p>Foreign Country Risk</p>	<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 defaulted on commercial loans in 2016 resulting in donors and the International Monetary Fund (IMF) freezing aid to Mozambique, which may affect financing of the Project at FC.</p> <p>Mozambique has been exposed to acts of terrorism in the Cabo Delgado region, affecting businesses and resulting in people</p>	<p>The Mozambican Government has been stable for many years and fosters a beneficial climate towards companies exploring for resources.</p> <p>The IMF and potential multilateral lenders' groups continue towards a resolution for Mozambique's default. Settlement between the Mozambican Government and creditors in October 2019 and the successful FC on Mozambique LNG are seen as positive steps towards future funding of projects in Mozambique. All parties have committed to resolving the issue in a reasonable and transparent manner to restore confidence in the country.</p>

Risk Factors

	relocating. This is expected to impact business activities in the north of the country.	Terrorism attacks in the north of Mozambique are localised to the Cabo Delgado region and are not expected to have an impact on the Company's business operations.
Project Development Risk	The Company's assets are all at a development stage. Failure to successfully execute and complete the development projects, or to execute and complete the projects on time and on budget, would have an adverse operational and financial impact.	<p>The Company has signed a JDA with CMEC and GE who have a track record of delivering integrated coal-fired power and mine projects on time and budget. Regular Project update meetings are held with the Executive Team to ensure all workstreams are progressing as planned and ongoing monitoring, reporting and control processes are in place.</p> <p>The Company has signed a relationship agreement with CPL providing a pipeline of potential off-grid solar PV battery storage projects for investment. Projects are only put forward for investment when they meet strict KPIs. The Company has a ROFR over the pipeline and can reject one project that meets the KPIs without losing their ROFR.</p>
Tariff Agreement Risk	The Company is currently negotiating the tariff for the Ncondezi Project with EDM and the Government of Mozambique. Failure to complete the negotiations successfully would have an adverse operational and financial impact.	The tariff negotiation process is underway and will look to optimise the tariff structure via a number of factors including capex and opex optimisation and financing terms from lenders. While there are no guarantees, the Company remains confident an agreement will be reached with EDM to ensure the Project economics are maintained for all Stakeholders.
COVID-19	<p>The COVID-19 outbreak in H1 2020 resulted in travel restrictions in and to Mozambique. This impacted the Company in a number of ways preventing access to site for both the main Ncondezi Project and the C&I Maiden Project. As a result, force majeure was declared by the C&I Maiden Project off-taker and construction was halted until March 2021.</p> <p>The travel restrictions also prevented the Project Partners from holding in person negotiations with EDM and existing and potential investors.</p>	<p>The Company halted all travel and operated on a remote basis during the lockdown.</p> <p>Construction work on the C&I Maiden Project in Mozambique was suspended and only recommenced when travel restrictions were lifted and access to site was granted in March 2021.</p> <p>Meetings with our Project Partners, consultants and advisors were all transferred online. Negotiations with Government and EDM also took place online to ensure they could advance while the travel restrictions were in place. Following discussions with EDM the Company agreed to carry out two independent studies which took into account the developments in Mozambique and the region over the last 2 years including the potential impact of COVID-19.</p> <p>The Company continues to closely monitor the impacts on its projects and to develop appropriate response plans.</p>

Corporate Governance Statement

The Directors of the Company have elected to follow the 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 on pages 17 to 21.

In addition to the main Project, the Company continues to advance its solar PV and battery storage strategy in the C&I sector in Mozambique.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 28. 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 2020, the Board comprised a Non-Executive Chairman (Michael Haworth), two further Non-Executive Directors (Aman Sachdeva, Scott Fletcher) and one Executive Director (Hanno Pengilly).

Under the UK Corporate Governance Code, the independence or otherwise of the Directors is a judgement for the Board. As part of this consideration the Board has reflected on the fact that under the UK Corporate Governance Code Scott Fletcher and Aman Sachdeva would not be viewed as independent by virtue of the shares, options and loan that Scott Fletcher holds in the Company and, in respect of Aman Sachdeva, his options and his role as CEO of Synergy Consulting (which provides consultancy services to the Company). Despite this, 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 Scott Fletcher and Aman Sachdeva can be considered independent.

In addition, Michael Haworth has served on the Board for a concurrent period longer than nine years and, in that respect only, does not meet the usual criteria for independence set out in the UK Corporate Governance Code. On the basis that he had no association with, and was independent from, the Group at the time of his appointment and his constructive contributions to Board discussions, the Directors consider that he remains 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 on page 14.

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.

Corporate Governance Statement

The Company has established Audit and Remuneration Committees of the Board with formally delegated duties and responsibilities. In 2020 until his resignation on 5 May 2020 Estevão Pale remained as second member of the Remuneration Committee together with Michael Haworth. Following Estevão Pale's resignation and Scott Fletcher's appointment, the Remuneration Committee is made up of Michael Haworth, Aman Sachdeva and Scott Fletcher.

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

Corporate Governance Statement

- 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 and more frequently when required. 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 11 and attendance is outlined below:

Attendance by directors	Board meetings
Michael Haworth	11
Estevão Pale*	2
Aman Sachdeva	10
Scott Fletcher**	3
Hanno Pengilly	11

* Estevão Pale resigned on 05.05.2020

** Scott Fletcher was appointed on 29.10.2020 and attended all 3 meetings held in 2020 following his appointment.

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 2020, the Audit Committee members were Michael Haworth (Committee Chairman), Aman Sachdeva and Hanno Pengilly. Since the year end, Scott Fletcher has been appointed to the Committee and appointed as Committee Chairman.

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, judgements 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 twice in the year.

Corporate Governance Statement

The Remuneration Committee

The Remuneration Committee in 2020 was comprised of Scott Fletcher (Committee Chairman), Aman Sachdeva and Michael Haworth.

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 once in the year.

A Remuneration Committee Report appears on pages 26 to 27.

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 end, being 31 December 2020, the Remuneration Committee comprised Scott Fletcher, Aman Sachdeva and Michael Haworth.

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 2020 the following awards to 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
Estevão Pale*	26 Nov 2019	750,000	6.5p	10 years
Aman Sachdeva	25 May 2018	1,000,000	6.25p	10 years
Aman Sachdeva	26 Nov 2019	750,000	6.5p	10 years
Hanno Pengilly	25 May 2018	550,000	8.625p	10 years
Hanno Pengilly	25 May 2018	150,000	8.625p	10 years
Hanno Pengilly	25 May 2018	300,000	5.0p	10 years
Hanno Pengilly	25 May 2018	2,375,132	7.5p	10 years
Hanno Pengilly	25 May 2018	1,187,566	10.0p	10 years
Hanno Pengilly	25 May 2018	1,187,566	15.0p	10 years
Hanno Pengilly	25 May 2018	1,187,566	8.625p	10 years
Hanno Pengilly	26 Nov 2019	6,333,332	6.5p	10 years
Scott Fletcher**	12 Nov 2020	5,000,000	3.0p	3 years
Scott Fletcher**	12 Nov 2020	2,500,000	5.0p	3 years
Scott Fletcher**	12 Nov 2020	2,500,000	7.5p	3 years

*Estevão Pale resigned on 5 May 2020.

**Scott Fletcher was appointed on 29 October 2020.

Refer to note 19 for details of the vesting conditions attached to certain of the awards.

Grant of Share Awards

During 2020 10,000,000 share options were issued to the Company's Directors (2019: 7,833,332 all to Company's directors).

Directors' Options

During 2020 all 10,000,000 share options were issued to the Company's Directors (2019: 7,833,332).

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 and 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, Aman Sachdeva has waived his Directors fees since 1 April 2015 and Scott Fletcher since 29 October 2020.

Remuneration Committee Report

Directors' remuneration

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 December 2020 for individual directors who held office in the Company during the period.

Director	Base Salary/fee US\$'000	Bonus US\$'000	Share based payments* US\$'000	Total 2020 US\$'000	Total 2019 US\$'000
Michael Haworth	-	-	-	-	-
Estevão Pale**	-	-	-	-	39
Aman Sachdeva	-	-	-	-	39
Scott Fletcher***	-	-	49	49	-
Hanno Pengilly****	240	120	180	540	85
Total	240	120	229	589	163

* Details in Note 19

** Estevão Pale resigned on 05.05.2020

*** Scott Fletcher was appointed on 29.10.2020

**** Hanno Pengilly – US\$120k 2019/20 accrued bonus was paid in shares in 2021

On behalf of the Board

Michael Haworth
Non-Executive Chairman

24 June 2021

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.

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2020 and its loss for the year then ended;
- have been prepared in accordance with IFRSs as adopted by the European Union.

We have audited the financial statements of Ncondezi Energy Limited ("the Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2020 which comprises the consolidated statement of profit or loss and 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 Group financial statements is applicable law and International Financial Reporting Standards (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

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 and restructure its existing shareholder loans which matured on 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.

As stated in note 1, these events or conditions 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.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting and our audit procedures in response to this key audit matter included:

- We discussed the ongoing impact of COVID-19 with management, including their assessment of potential risks and uncertainties associated with areas such as the Group's operations, ability to secure funding and restructure the loan and the potential impact on finalisation of the power project tariff that are relevant to the Group's business model and operations. We formed our own assessment of risks and uncertainties based on our understanding of the business.

- We obtained management’s reverse stress testing analysis which was performed to determine the point at which liquidity breaks and considered whether such scenarios, including the inability to secure anticipated funding, restructure the shareholder loan and refinance loans, failure to obtain tariff approval and delays in finalising the construction of the Azura battery project were possible.
- We assessed management’s base case cash flow forecasts and the underlying key assumptions which have been approved by the Board. In doing so, we compared the operating cost forecast to historical expenditure rates, reviewed agreements to assess committed project expenditure, reviewed agreements for the deferral of consulting fees and evaluated the repayment terms of the loan facilities. We reviewed board minutes and market announcements for indications of additional cash requirements.
- We considered management’s judgment that they had a reasonable expectation of restructuring the shareholder loans, refinancing loans and securing additional financing to meet working capital requirements. In doing so, we inspected correspondence with the loan note holders, agreement signed with 39.6% of shareholders, made specific inquiries of the Board, considered the Group’s history of fundraising and obtained written representations from the Board.
- We reviewed and considered the adequacy of the disclosure within the financial statements relating to the Directors’ assessment of the going concern basis of preparation against the accounting standards.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage¹	97% (2019: 95%) of Group loss before tax 99% (2019: 99%) of Group total assets		
Key audit matters		2020	2019
	Going concern	•	•
	Carrying value of the group’s mining and power assets	•	•
Materiality	<i>Group financial statements as a whole</i> US\$0.31m (2019: US\$0.3m) based on 1.5% (2019:1.5%) of total assets		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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 seven components of which we identified three to be significant, being the parent company, one subsidiary based in Mozambique and the green energy subsidiary based in Mauritius.

¹ These are areas which have been subject to a full scope audit by the group engagement team

A full scope audit was performed on these significant components by the Group audit team as accounting records are maintained in the UK and management are based in the UK. Non-significant components were subject to analytical review procedures. All procedures were performed by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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. In addition to the matter described in the Material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Carrying value of the group’s mining and power assets</p> <p>The Group’s mining and power assets represent its most significant assets as at 31 December 2020 as detailed in note 7. The mining assets are held at their recoverable value which is below cost following impairments made in prior years.</p> <p>Management are required to assess whether they consider there to be any indicators that the group’s mining and power assets may be impaired as at 31 December 2020 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 of the mine assets from the prior years was necessary and that no reversal of impairment on the mining assets was required as detailed in note 2, which sets out the key judgements 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 of management’s conclusion that the mining and power assets represented one cash generating unit, against the requirements of applicable accounting standards.</p> <p>We reviewed management’s impairment review and performed our own assessment of impairment indicators in order to determine whether their assessment was complete and in accordance with the requirements of applicable accounting standards.</p> <p>We obtained the integrated power and mine asset financial model, prepared by management’s external consultant, and checked that the model demonstrated headroom over the carrying value. In respect of key inputs in the model 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 assessed the independence and competence of the external consultant.</p> <p>In respect of the electricity tariff, upon which the project development is dependent, which remains subject to agreement with the Government, we obtained confirmation from management that the tariff rate represented their best estimate of the rate required by the Government based on verbal discussions they had held with representatives from the Government owned power company and we obtained specific written representation to that effect.</p>

	<p>We reviewed market reports and internal correspondence to check that they were consistent with the tariff used in the model</p> <p>and agreed the rate to documents submitted to the Government.</p> <p>We reviewed the signed shareholders agreement term sheet with the project partners and obtained supporting documents demonstrating progress and the continued feasibility of the project at this time.</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 under certain assumptions. 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 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 judgements and estimates made by management.</p> <p>Key observations:</p> <p>Based on the procedures performed, we found management’s assessment of the carrying value of the Group’s mining and power assets and related disclosures in the financial statement to be appropriate.</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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	
	2020	2019
Materiality	US\$0.31 million	US\$0.30 million
Basis for determining materiality	1.5% of total assets	1.5% of total assets
Rationale for the benchmark applied	We consider total assets to be the appropriate benchmark due to the focus of stakeholders being on the assets of the Group.	We consider total assets to be the appropriate benchmark due to the focus of stakeholders being on the assets of the Group.
Performance materiality	US\$0.21 million	US\$0.20 million
Basis for determining performance materiality	70% of Group materiality	70% of Group materiality

Component materiality

We set materiality for each component of the Group based on a percentage of between 35% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from US\$0.11 million (2019: US\$0.11 million) to US\$0.27 million (2019: US\$0.27 million). In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US\$15,000 (2019: US\$15,000), 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.

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 we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 statement of Directors' responsibilities, 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Holding discussions with management and the Board to understand the laws and regulations relevant to the Group and its components. These included elements of the financial reporting framework, tax legislation, mining laws, AIM listing rules, QCA corporate governance code and environmental regulations;
- Holding discussions with management and management to consider any known or suspected instances of non-compliance with laws and regulations or fraud;
- Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remaining alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Testing appropriateness of journal entries made throughout the period which met a specific risk based criteria;
- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements, specifically around key audit matters as discussed above;
- Reviewing minutes from board meetings of those charges with governance and RNS announcements to identify any instances of non-compliance with laws and regulations;
- Performing a detailed review of the Group's period-end adjusting entries and investigating any that appear unusual as to nature or amount and agreeing to supporting documentation; and
- Performing detailed testing on account balances which were considered to be at greater risk of susceptibility to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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 the terms of our engagement letter. 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
London
United Kingdom

24 June 2021

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

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2020



		2020	2019
	Note	US\$'000	US\$'000
Other administrative expenses	3	(1,611)	(1,216)
Share-based payment charge	3	(292)	(402)
Total administrative expenses and loss from operations		(1,903)	(1,618)
Finance expense, net	4	(910)	(680)
Loss for the year before taxation		(2,813)	(2,298)
Taxation	5	-	-
Loss and total comprehensive loss for the year attributable to equity holders of the parent company		(2,813)	(2,298)
Loss per share expressed in cents			
Basic and diluted	6	(0.8)	(0.7)

The notes on pages 40 to 67 form part of these financial statements.

Consolidated statement of financial position

as at 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Assets			
Non-current assets			
Property, plant and equipment	7	18,348	18,263
JV Investment	10	-	769
Intangible assets	8	358	-
Loan receivable	11	665	-
Total non-current assets		19,371	19,032
Current assets			
Trade and other receivables	12	112	26
Cash and cash equivalent	13	853	722
Total current assets		965	748
Total assets		20,336	19,780
Current liabilities			
Trade and other payables	14	550	404
Loans and borrowings	15	5,015	4,234
Derivative financial liability	16	759	30
Total current liabilities		6,324	4,668
Total liabilities		6,324	4,668
Capital and reserves attributable to shareholders			
Share capital	17	94,137	92,660
Accumulated losses		(80,125)	(77,548)
Total capital and reserves		14,012	15,112
Total equity and liabilities		20,336	19,780

The financial statements were approved and authorised for issue by the Board of Directors on 24 June 2021 and were signed on its behalf by:

Michael Haworth
Non-Executive Chairman

The notes on pages 40 to 67 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended at 31 December 2020

	Share capital US\$'000	Accumulated Losses US\$'000	Total US\$'000
At 1 January 2020	92,660	(77,548)	15,112
Loss for the year	-	(2,813)	(2,813)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year	-	(2,813)	(2,813)
Issue of shares	1,910	-	1,910
Costs associated with issue of shares	(138)	-	(138)
Warrants issued	(351)	-	(351)
Exercise of share options	56	(56)	-
Equity settled share-based payments	-	292	292
At 31 December 2020	94,137	(80,125)	14,012

	Share capital US\$'000	Accumulated Losses US\$'000	Total US\$'000
At 1 January 2019	88,796	(75,554)	13,242
Loss for the year	-	(2,298)	(2,298)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year	-	(2,298)	(2,298)
Issue of shares	2,380	-	2,380
Costs associated with issue of shares	(213)	-	(213)
Exercise of share options	98	(98)	-
Shareholders Loan conversion into equity	1,344	-	1,344
Exercise of warrants	255	-	255
Equity settled share-based payments	-	402	402
At 31 December 2019	92,660	(77,548)	15,112

The notes on pages 40 to 67 form part of these financial statements.

Consolidated statement of cash flows

for the year ended at 31 December 2020

	2020 US\$'000	2019 US\$'000
Loss before taxation	(2,813)	(2,298)
Adjustments for:		
Finance expense	910	680
Share based payment charge	292	402
Reversal of accrual	-	(150)
Depreciation	67	67
Amortisation	164	-
Net cash flow from operating activities before changes in working capital	(1,380)	(1,299)
Increase in payables	146	73
(Increase)/ decrease in receivables	(86)	28
Net cash flow from operating activities before tax	(1,320)	(1,198)
Income taxes refunded	-	-
Net cash flow from operating activities after tax	(1,320)	(1,198)
Investing activities		
Power and Mine development costs capitalised	(152)	(58)
JV investment prior to acquisition (note 10)	(384)	(769)
Purchase of intangibles	(35)	-
Net cash flow from investing activities	(571)	(827)
Financing activities		
Issue of ordinary shares	1,910	2,380
Cost of shares issued	(138)	(213)
Warrants exercised	-	156
Loan draw down	250	-
Net cash flow from financing activities	2,022	2,323
Net increase in cash and cash equivalents in the year	131	298
Cash and cash equivalents at the beginning of the year	722	424
Cash and cash equivalents at the end of the year	853	722

The notes on pages 40 to 67 form part of these financial statements.

Notes to the consolidated financial statements

1. Principal accounting policies

General

The Company is a public limited liability company incorporated on 30 March 2006 in the British Virgin Islands. The address of its registered office is Coastal Building, Wickham's Cay II, PO Box 2221, Road Town, Carrot Bay, Tortola, British Virgin Islands.

Going concern

Based upon projections that include corporate costs, salaries of staff and consultant fees, project costs to progress the Project and C&I projects, the Group is funded into September 2021. While the C&I Maiden Project, currently under construction, is fully funded by a US\$500,000 Bridge Loan, projections do not include any unforeseen further funding and assumes that the existing debt will be refinanced or converted during Q3 2021. The Company will focus on raising funding at the subsidiary level for future C&I Projects to ensure cash reserves are prioritised for the immediate funding needs of the main Project. The working capital facility of US\$750,000 expired on 30 June 2020, during the period US\$250,000 was drawn down.

The Shareholder Loan of US\$5.0 million as at 18 June 2021 (principal, historic redemption premium and interest) matured on 30 November 2019. In November 2020 certain Board and management who represent 39.6% of the Shareholder Loan have signed an Undertaking not to call in the Shareholder Loan before the later of 30 November 2022 or when the restructuring is completed. The Undertaking prevents the Shareholder Loan from being called as a majority agreement representing 66.67% of Shareholder Loan holders is required. Nevertheless, the Company is currently evaluating options to execute the restructuring process as proposed on 26 November 2019.

The Directors continue to explore options in respect of raising further funds to continue with the Ncondezi Project development programmes, as well as fund potential C&I projects. At present there are no binding agreements in place and there can be no certainty as to the Group's ability to raise additional funding. The Directors are also aware of the potential risk of delays as a result of the COVID-19 pandemic. Operations are currently unaffected however there is no certainty that further delays may not occur in the future which may lead to further funding requirements.

In addition, notwithstanding the Shareholder Loan, further funding will be required as detailed above to meet operating cash flows under current forecasts before the end of Q3 2021 or in the event of accelerated project advancement. The Directors are exploring a number of funding and working capital solutions. 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 there can be no certainty that any of these initiatives will be successful.

The COVID-19 pandemic represents a risk to a number of aspects of the Group's business, including lack of access to the Project and in person meetings with the Project Partners, Government, EDM and potential finance partners which may cause a delay to the Project. There remains considerable uncertainty relating to the pandemic duration and its impact. The Group continues to closely monitor the impacts on its projects and to develop appropriate response plans. There is also a significant uncertainty as regards to the ability of the Group to raise funds in the current market conditions due to the COVID-19 pandemic which may result in the Group having to raise funds at whatever terms are available at the time.

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.

These matters 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.

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

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 judgements, 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 judgements 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

The following new and revised standards and interpretations, all of which are effective for accounting periods beginning on or after 1 January 2020, have been adopted in the current financial year.

Standard	Description
IAS 28	Amendments to IAS 28 Sale of Long-Term Interest in Associates and Joint Ventures
IFRS 3	Amendments to IFRS 3 Business Combinations – Definition of a business
IAS 1	Presentation of Financial Statements
IAS 8	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment Definition of Material)
	Revised Conceptual Framework for Financial Reporting

The new standards effective from 1 January 2020, as listed above, do not have a material effect on the Group’s financial statements.

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 2021:

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

Standard	Description
IFRS 3	Amendments - Business Combinations
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 1	Amendments - Classification of Liabilities as Current or Non-current
IFRS 16	Amendments - Leases COVID-19 - Related Rent Concessions
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvements to IFRSs (2018-2020 Cycle)
IFRS 9, IAS 39 and IFRS 7	Amendments - interest rate benchmark reform - Phase 2

The Group is currently assessing the impact of these new accounting standards and amendments.

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.

Joint Arrangements

Certain Group activities are conducted through joint arrangements in which two or more parties have joint control. A joint arrangement is classified as either a joint operation or a joint venture, depending on the rights and obligations of the parties to the arrangement.

Joint operations arise when the Group has a direct ownership interest in jointly controlled assets and obligations for liabilities. The Group does not currently hold this type of arrangement.

Joint ventures arise when the Group has rights to the net assets of the arrangement. For these arrangements, the Group uses equity accounting and recognises initial and subsequent investments at cost, adjusting for the Group's share of the joint venture's income or loss, less dividends received thereafter. When the Group's share of losses in a joint venture equals or exceeds its interest in a joint venture it does not recognise further losses.

Joint ventures are tested for impairment whenever objective evidence indicates that the carrying amount of the investment may not be recoverable. The impairment amount is measured as the difference between the carrying amount of the investment and the higher of its fair value less costs of disposal and its value in use. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

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.

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

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.

Intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill, if these assets are separable and their fair value can be measured reliably. Intangible assets acquired separately from the acquisition of a business are capitalised at cost. The cost of the other intangible assets with finite useful economic lives is amortised over that period. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If impaired, they are written down to the higher of fair value less costs to sell and value in use.

Amortisation and estimated useful lives

Intangible assets, excluding goodwill, are amortised on a straight-line basis over their estimated useful lives and charged to administrative expenses in the consolidated statement of income. The estimated useful lives of the ROFR to C&I projects pipeline.

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

Power project costs

Power project expenditure is expensed until it is probable that future economic benefits associated with the project will flow to the Group and the cost of the project can be measured reliably. When it is probable that future economic benefits will flow to the Group, all costs associated with developing the 300MW power project are capitalised as power project expenditure within the 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 and 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.

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

The Group has two cash generating units being (1) the Power Project and Mine Project - this segment is involved in the exploration for coal and development of the coal mine and the development of a 300MW integrated power plant and (2) a C&I solar PV and battery storage project - this segment is focused on building and operating captive solar PV and battery storage solutions for the African C&I sector.

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.

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

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:

Assets at amortised cost

Assets at amortised cost comprise Trade and Other Receivables and Loan Receivables which 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 and loan receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments. Impairment provisions for other receivables and loan receivables are recognised based on a forward looking ECL 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 ECL along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime ECL 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 original financial 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.

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

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 liabilities due to the warrant resulting in the issue of a variable number of shares and the embedded derivative within the Shareholder 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 22). 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.

Notes to the consolidated financial statements

2. Critical accounting estimates and judgements (*continued*)

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 JDA, submission of the tariff proposal, updates and submission of the Project Feasibility Study, Transmission Integration Study and Power Market Outlook Study, Shareholders Agreement signed with CMEC, SA to JDA and submission of historical cost audit to CMEC, 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. 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 formal 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 JDA with CMEC and GE and the new integrated strategy in 2018 the power and mining projects are considered as one cash generating unit. This required judgement 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 JDA 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 2020 and associated risks and uncertainties, the extent of progress made towards finalising the JDA and subsequent FC and the period of time to final completion of a transaction, management concluded that the criteria were not met.

(iii) Valuation of share options and warrants

Share options issued by the Company are fair valued when granted and warrants, which are classified as financial liabilities, are revalued at each reporting date. This requires the Group to determine an appropriate valuation methodology, which they have determined to be the Black-Scholes option pricing model. The use of this model requires the determination of a number of key assumptions which can have a significant effect on the valuation (note 16 and 19).

3. Administrative expenses

	2020 US\$'000	2019 US\$'000
Staff costs	53	45
Professional and consultancy	1,170	831
Office expenses	78	65
Marketing and promotion	96	49
Travel and accommodation	12	89
Other expenses	21	51
Depreciation	67	67
Amortisation	164	-
Foreign exchange	(50)	19
Total administrative expenses	1,611	1,216

Notes to the consolidated financial statements

3. Administrative expenses (continued)

Auditors' remuneration

	2020 US\$'000	2019 US\$'000
Group auditors' remuneration		
- audit of the Group's accounts	73	69
Other services		
- interim review	2	4
	75	73

Auditors' remuneration is included within professional and consultancy costs.

Staff costs and Directors remuneration

	2020 US\$'000	2019 US\$'000
Wages and salaries	51	45
Directors remuneration	360	240
Share based payment	292	402
Social security costs	2	-
	705	687

During 2020 US\$nil (2019: US\$nil) included within wages and salaries has been capitalised to the power project asset.

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

	2020 Number	2019 Number
Operational	1	1
Administration	3	3
	4	4

Key management compensation:

	2020 US\$'000	2019 US\$'000
Fees	442	268
Share based payment	253	214
	695	482

Key management includes Directors and Consultants

4. Finance expenses, net

	2020 US\$'000	2019 US\$'000
Interest on loans (note 15)	531	1,146
Fair value adjustment on the warrants (note 16)	379	(10)
Fair value adjustment on the loan derivative	-	(456)
	910	680

Notes to the consolidated financial statements

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% (2019: 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.

	2020 US\$'000	2019 US\$'000
Current tax	-	-
Group loss on ordinary activities before tax	(2,813)	(2,298)
Effects of:		
Reconcile to Mozambique corporation tax rate of 32% (2019: 32%)	(900)	(732)
Differences arising from different tax rates	837	667
Foreign exchange effect originating in overseas companies	21	2
Unrecognised taxable losses in subsidiaries	42	63
Total tax for the year	-	-

During the exploration and development stages, the Group will accumulate tax losses which may be carried forward. As at 31 December 2020, no deferred tax asset has been recognised for tax losses of US\$1,877,000 (2019: US\$3,202,000) 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\$64,000 will be available until 31 December 2025, US\$179,000 will be available until 31 December 2024, US\$77,000 will be available until 31 December 2023, US\$52,000 will be available until 31 December 2022, US\$1,129,000 and will be available until 31 December 2021.

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 37,637,227 (2019: 31,930,854) share incentives outstanding at the end of the year 12,294,058 (2019: 16,362,685) had already vested and there was also 32,999,999 warrants issued in the year, which if exercised could potentially dilute basic earnings per share in the future.

	2020			2019		
	Loss US\$'000	Weighted average number of shares (thousands)	Per share amount (cents)	Loss US\$'000	Weighted average number of shares (thousands)	Per share amount (cents)
Basic and diluted EPS	(2,813)	341,193	(0.8)	(2,298)	312,117	(0.7)

Notes to the consolidated financial statements

7. Property, plant and equipment

	Power assets US\$'000	Mining assets US\$'000	Buildings US\$'000	Plant and equi. US\$'000	Other US\$'000	Total US\$'000
Cost (less impairment)						
At 1 January 2019	9,462	7,661	1,277	35	718	19,153
Additions	58	-	-	-	-	58
At 1 January 2020	9,520	7,661	1,277	35	718	19,211
Additions	76	76	-	-	-	152
At 31 December 2020	9,596	7,737	1,277	35	718	19,363
Depreciation						
At 1 January 2019	-	-	139	24	718	881
Depreciation charge	-	-	66	1	-	67
At 1 January 2020	-	-	205	25	718	948
Depreciation charge	-	-	66	1	-	67
At 31 December 2020	-	-	271	26	718	1,015
Net Book value 2020	9,596	7,737	1,006	9	-	18,348
Net Book value 2019	9,520	7,661	1,072	10	-	18,263

Power assets relate to the development of a 300MW power plant. In 2020, the Power assets remain classified as property, plant and equipment as detailed in note 1.

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. Intangible assets

	ROFR to C&I projects pipeline US\$'000	Total US\$'000
Cost (less impairment)		
At 1 January 2020	-	-
Additions (note 10)	522	522
At 31 December 2020	522	522
Amortisation		
At 1 January 2020	-	-
Amortisation charge	164	164
At 31 December 2020	164	164
Net Book value 2020	358	358

Notes to the consolidated financial statements

9. Subsidiaries

The Group has the following subsidiary undertakings:

		% interest 2020	% interest 2019	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 Green Power Holding Ltd	'NGP'	100	100	BVI	Green Energy Holding company
GridX Africa AssetCo	'C&I SPV'	100	-	Mauritius	Green 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. Ncondezi Green Power Holdings Limited is owned by Ncondezi Energy Limited. GridX Africa AssetCo is owned by Ncondezi Green Power Holding Ltd (in 2021 GridX Africa AssetCo was renamed Mozambique Green Power Limited) 'MGPL'.

10. Acquisition of C&I SPV

On 6 May 2020 the Company entered into a Relationship Agreement with GridX and acquired the remaining joint venture interest in the C&I SPV, a special purpose vehicle setup specifically for the Company's first C&I solar PV and battery storage project investment. C&I SPV became a wholly owned subsidiary of NGP through the purchase of all GridX's A class shares at par value totalling US\$100. Following the acquisition, GridX no longer has any management or acquisition rights in the C&I SPV, but was to provide management services up until these were novated to CPL in June 2021. The acquisition has been accounted for as an asset acquisition and the assets and liabilities have been consolidated within the Group financial statements from May 2020, being the effective date of the acquisition. The following table sets out the book values of the identifiable assets and liabilities acquired at their fair value to the Group in respect of the acquisition:

	2020 US\$'000
Consideration paid by the Company:	
Purchase of A shares	-
Investment in joint venture	1,152
Assets and liabilities of GridX Africa Asset Co acquired by the Company:	
Loan receivable	665
Intangible assets	487
Total assets	1,152

Notes to the consolidated financial statements

11. Loan Receivable

	2020 US\$'000	2019 US\$'000
Loan to C&I Project	665	-
Total non current assets	665	-

C&I SPV entered into an AFA to provide funding of US\$1,189,000 for the construction of the C&I Maiden Project in Mozambique. As at year end US\$665,000 was provided out of the total funding. The AFA loan is to be repaid in monthly installments in US\$ over a term of 15 years from the date of commissioning with annual escalations of 2.0%. AFA payments over the term of the loan will total US\$3,100,000.

12. Trade and other receivables

	2020 US\$'000	2019 US\$'000
Current assets:		
Other receivables	112	26
Total trade and other receivables	112	26

During the year no expected credit losses were recognised (2019: US\$nil). The Directors consider that the carrying amount of other receivables approximates their fair value.

13. Cash and cash equivalents

	2020 US\$'000	2019 US\$'000
Cash at bank and in hand	853	722
	853	722

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

	2020 US\$'000	2019 US\$'000
US Dollars	354	444
Great British Pounds	493	268
Mozambique Meticals	6	10
	853	722

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

14. Trade and other payables

	2020 US\$'000	2019 US\$'000
Other payables	57	214
Accruals	493	190
	550	404

Accruals includes US\$nil (2019: US\$nil) of interest in respect of the loans in note 15. The fair value of payables is not significantly different from their carrying value.

Notes to the consolidated financial statements

15. Loans and borrowings

	2020 US\$'000	2019 US\$'000
Shareholder Loans (unsecured)	4,742	4,234
Working capital facility (unsecured)	273	-
Total loans and borrowings	5,015	4,234

Shareholder Loans

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 Shareholder Loan (in multiples of US\$1,000) into fully paid Ordinary Shares of the Company at a 10.0p conversion price from 16 November 2018 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 Shareholder Loan from 1 November 2019 until maturity provide a conversion notice to the Company, all amounts outstanding under the Shareholder 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 Shareholder Loan term expired on 30 November 2019 with no extensions or restructuring legally agreed to date. On 26 November 2019, the Company received “in principle” support from all Lenders to enter a Shareholder Loan restructuring proposal.

The restructuring proposal is set out below:

- Extension on existing terms, including 12% annual interest rate and ability for Lenders to swap debt for equity in part or in full at a conversion price of 10.0p per share
- 12 month extension from the future Restructuring approval date
- A right for Ncondezi to pay off the original principal amount of the Shareholder Loan along with conversion of all interest into Ncondezi shares on AIM at a 25% to 30% premium to the 30 day VWAP

In November 2020 certain Board and management who represent 39.6% of the Shareholder Loan signed an Undertaking not to call in the Shareholder Loan before the later of 30 November 2022 or when the restructuring is completed. The Undertaking prevents the Shareholder Loan from being called as a majority agreement representing 66.67% of Shareholder Loan holders is required.

The Undertaking also reconfirms parties’ “in principle” support to enter the Shareholder Loan restructuring proposal as set out above. The Restructuring is subject to all Lenders agreeing to the documentation and the necessary AIM Rules related party transaction fair and reasonable opinion being considered and approved by the Company’s Independent Directors.

Nevertheless, the Company is currently evaluating options to execute the restructuring process as proposed on 26 November 2019.

Finance cost recognised for the year in relation to the loan was US\$508,000 (2019: US\$680,000).

Working capital facility

In 2019 the Company entered into a term loan with a company owned by a trust of which CEO, Hanno Pengilly, is a potential beneficiary for an unsecured working capital facility of US\$750,000. The working capital facility was made available for drawdown from 1 January 2020 until 30 June 2020 at the

Notes to the consolidated financial statements

15. Loans and borrowings (*continued*)

Company's election and is repayable within 24 months from first drawdown, unless there is an event of default or the Company elects to prepay the facility. The default of the Shareholder Loan constituted an event of default under the working capital facility therefore the Facility has been classified as current.

There was a drawdown on 24 January 2020 of US\$250,000. Further drawdowns were not solicited and the working capital facility expired at the end of June 2020.

The working capital facility attracted a 10% annual interest charge, payable at maturity or on repayment.

Finance cost recognised for the year in relation to the working capital facility was US\$23,000 (2019: US\$nil).

16. Derivative financial liability

	2020 US\$'000	2019 US\$'000
Warrants	759	30
	759	30

Warrants

During the period 1,520,000 warrants issued in June 2018 expired. The remaining fair value of US\$29,135 was derecognised through the profit and loss.

On 29 May 2020 2,166,666 warrants at subscription price of 3.0p per share were issued to the Company's joint broker, Novum Securities Ltd, and 21,666,666 warrants at subscription price of 6.0p per share were issued to investors. The warrants have an exercise period of 2 years from 29 May 2020. 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 (£)	0.03 and 0.06
Expected volatility	75%
Options life (years)	2
Expected dividends	0
Risk free rate	0.74%

The fair value of the 2,166,666 warrants on the grant date was US\$39,953. On initial recognition the value of the warrants was deducted from the share capital balance. Subsequent changes in the fair value of the warrants are recognised through profit or loss. The warrants were valued at US\$89,486 at the end of the period with the change of fair value of US\$49,533 recognised through profit or loss.

The fair value of the 21,666,666 warrants on the grant date was US\$220,081. On initial recognition the value of the warrants was deducted from the share capital balance. Subsequent changes in the fair value of the warrants are recognised through profit or loss. The warrants were valued at US\$528,337 at the end of the period with the change of fair value of US\$308,256 recognised through profit or loss.

On 16 December 2020 833,333 warrants at subscription price of 4.5p per share were issued to the Company's brokers and 8,333,334 warrants at subscription price of 7.5p per share were issued to investors. The warrants have an exercise period of one year from 8 December 2020. 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.

Notes to the consolidated financial statements

16. Derivative financial liability (*continued*)

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 (£)	0.045 and 0.075
Expected volatility	75%
Options life (years)	1
Expected dividends	0
Risk free rate	0.25%

The fair value of the 833,333 warrants on the grant date was US\$15,983. On initial recognition the value of the warrants was deducted from the share capital balance. Subsequent changes in the fair value of the warrants are recognised through profit or loss. The warrants were valued at US\$22,763 at the end of the period with the change of fair value of US\$6,780 recognised through profit or loss.

The fair value of the 8,333,334 warrants on the grant date was US\$77,602. On initial recognition the value of the warrants was deducted from the share capital balance. Subsequent changes in the fair value of the warrants are recognised through profit or loss. The warrants were valued at US\$118,834 at the end of the period with the change of fair value of US\$41,232 recognised through profit or loss.

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

17. Share capital

	2020	2019
Number of shares		
Allotted, called up and fully paid		
Ordinary shares of no-par value	366,361,716	324,993,717
	Shares Issued Number	Share capital US\$'000
At 1 January 2020	324,993,717	92,660
Issue of shares	40,799,999	1,910
Issue of shares (exercised share awards)	568,000	56
Issue costs	-	(138)
Warrants issued	-	(351)
At 31 December 2020	366,361,716	94,137
	Shares Issued Number	Share Capital US\$'000
At 1 January 2019	282,299,844	87,796
Issue of shares	28,856,060	2,380
Issue of shares (exercised share awards)	1,000,000	98
Issue of shares (loan equity conversion)	10,337,813	1,344
Issue of shares (exercised warrants)	2,500,000	255
Issue costs	-	(213)
At 31 December 2019	324,993,717	92,660

Notes to the consolidated financial statements

18. 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

19. 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
2020							
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	150,000	-	-	-	150,000	25.04.23
Nil	31.01.14	225,000	-	-	(225,000)	-	30.06.20
Nil*	25.05.18	868,627	-	(868,000)	(627)	-	24.05.28
Nil**	25.05.18	75,000	-	-	-	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
6.5p (8.4c)**	26.11.19	7,833,332	-	-	-	7,833,332	26.11.29
3p (3.96c)**	12.11.20	-	5,000,000	-	-	5,000,000	11.11.23
5p (6.61c)**	12.11.20	-	2,500,000	-	-	2,500,000	11.11.23
7.5p (9.91c)**	12.11.20	-	2,500,000	-	-	2,500,000	11.11.23
Total		31,930,854	10,000,000	(868,000)	(3,425,627)	37,637,227	
WAEP (cents)		9.71	6.11	-	-	9.32	

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
2019							
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	150,000	-	-	-	150,000	25.04.23
Nil	31.01.14	225,000	-	-	-	225,000	30.06.20
Nil*	25.05.18	1,868,627	-	(1,000,000)	-	868,627	24.05.28
Nil**	25.05.18	75,000	-	-	-	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
6.5p (8.4c)**	26.11.19	-	7,833,332	-	-	7,833,332	26.11.29
Total		25,097,522	7,833,332	(1,000,000)	-	31,930,854	
WAEP (cents)		9.73	8.4	-	-	9.71	

* Vest on grant date

** Vest upon delivery of specific milestones

Notes to the consolidated financial statements

19. Share-based payments (*continued*)

The Company's mid-market closing share price at 31 December 2020 was 5.50p (31 December 2019: 6.30p). The highest and lowest mid-market closing share prices during the year were 6.05p (2019: 8.95p) and 2.85p (2019: 4.40p) respectively.

Of the total number of options outstanding at year end 12,294,058 (2019: 16,362,685) had vested and were exercisable. The weighted average exercise price for the exercisable options at year end was 8.79p (2019: 7.50p). The weighted average share price at the date of exercise of the 868,000 options was 3.65p.

The weighted average contractual life of the options outstanding at the year-end was four years and eight months (2019: five and half years).

In respect of 10,000,000 options in the Company granted to its Directors 100% are performance related and linked to delivery of specific milestones related to the Company's share price. None of the 10,000,000 options issued during the year were vested at year end.

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 date	Share price at date of grant	Exercise price per share	Volatility	Period likely to exercise over	Risk-free investment rate	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)	113.33%	5 years	0.7%	4.50c
26.11.19	6.70c	8.37c(6.50p)	113.51%	5 years	0.6%	5.20c
12.11.20	4.95c	3.96c(3p)	77.00%	3 years	0.18%	2.72c
12.11.20	4.95c	6.61c(5p)	77.00%	3 years	0.18%	2.09c
12.11.20	4.95c	9.91c(7.50p)	77.00%	3 years	0.18%	1.60c

The volatility rates have been calculated using analysis of historic Company share price volatility.

Based on the above fair values, the expense arising from equity-settled share options made to Directors and consultants was US\$0.3 million for the year (2019: US\$0.4 million including Directors and employees).

20. Segmental analysis

In 2020 the Group had the following reportable segments, following the C&I project acquisition:

- C&I solar PV and battery storage project - this segment is involved in providing solar PV and battery storage solutions for the African C&I sector to replace existing off-grid (normally diesel) power supplies, or to supplement on-grid connections
- 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

Notes to the consolidated financial statements

20. Segmental analysis (continued)

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 2020 are as follows:

Income statement	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
For the year ended 31 December 2020				
Segment result after allocation of central costs	(460)	(496)	(947)	(1,903)
Finance expense	-	-	(910)	(910)
Loss before taxation	(460)	(496)	(1,857)	(2,813)
Taxation	-	-	-	-
Loss for the year	(460)	(496)	(1,857)	(2,813)

The segment results for the year ended 31 December 2019 are as follows:

Income statement	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
For the year ended 31 December 2019				
Segment result after allocation of central costs	-	(464)	(1,154)	(1,618)
Finance expense	-	-	(680)	(680)
Loss before taxation	-	(464)	(1,834)	(2,298)
Taxation	-	-	-	-
Loss for the year	-	(464)	(1,834)	(2,298)

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

Income statement	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
For the year ended 31 December 2020				
Depreciation charged to the income statement	-	(67)	-	(67)
Amortisation charged to the income statement	(164)	-	-	(164)
Share based payment	-	-	(292)	(292)

Notes to the consolidated financial statements

20. Segmental analysis (continued)

Income statement	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
For the year ended 31 December 2019				
Depreciation charged to the income statement	-	(67)	-	(67)
Share based payment	-	-	(402)	(402)

The segment assets and liabilities at 31 December 2020 and capital expenditure for the year then ended are as follows:

Statement of financial position	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
At 31 December 2020				
Segment assets	1,720	17,486	1,130	20,336
Segment liabilities	(1)	(216)	(6,107)	(6,324)
Segment net assets	1,719	17,270	(4,977)	14,012
Property plant and equip. capital expenditure	-	152	-	152
Intangible asset expenditure	35	-	-	35

The segment assets and liabilities at 31 December 2019 and capital expenditure for the year then ended are as follows:

Statement of financial position	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
At 31 December 2019				
Segment assets	769	18,490	521	19,780
Segment liabilities	-	(215)	(4,453)	(4,668)
Segment net assets	769	18,275	(3,932)	15,112
Property plant and equipment capital expenditure	-	58	-	58

Notes to the consolidated financial statements

21. Reconciliation of liabilities arising from financing activities

	Loans and borrowings US\$'000	Derivative financial liability US\$'000	Total US\$'000
At 1 January 2020	4,234	30	4,264
Cash flows	250	-	250
Non-cash finance charges	531	-	531
Derecognition of warrants	-	(29)	(29)
Fair value of warrants issued	-	353	353
Fair value movement on warrants	-	405	405
At 31 December 2020	5,015	759	5,774

	Short term loan US\$'000	Derivative financial liability US\$'000	Total US\$'000
At 1 January 2019	4,182	5,027,845	5,027
Cash flows	-	-	-
Conversion of Loan to equity	(1,094)	(250)	(1,344)
Non-cash finance charge	1,146	-	1,146
Fair value movement on Loan Embedded Derivative	-	(456)	(456)
Exercise of warrants	-	(99)	(99)
Fair value movement on warrants	-	(10)	(10)
At 31 December 2019	4,234	30	4,264

22. 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:

	2020 US\$'000	2019 US\$'000
Loans and receivables at amortised cost		
Trade and other receivables	46	9
Loan receivable	665	-
Cash and cash equivalents	853	722
Financial liabilities held at amortised cost		
Trade and other payables	550	404
Loans and borrowings	5,015	4,234
Financial liabilities at fair value through profit or loss		
Derivative financial liability	759	30

Notes to the consolidated financial statements

22. Financial instruments (*continued*)

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 16.

General objectives, policies and processes

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

2020	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	months	months	years
				US\$'000	US\$'000	US\$'000
Trade and other payables	550	-	331	-	219	-
Loans and borrowings	5,015	5,015	-	-	-	-

2019	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	months	months	years
				US\$'000	US\$'000	US\$'000
Trade and other payables	404	-	185	-	219	-
Loans and borrowings	4,234	4,234	-	-	-	-

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 US\$nil undrawn and unconditional committed borrowing facilities available at 31 December 2020 (2019: US\$750,000).

The Company put in place a US\$750,000 working capital facility in October 2019. A US\$250,000 drawdown was made in the year. The working capital facility expired on 30 June 2020.

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 Meticals and cash held in GB Pounds, 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

Notes to the consolidated financial statements

22. Financial instruments (continued)

monthly basis. Currency exposures relating to monetary assets held by foreign operations are included within the Group's consolidated 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 Meticaïs and GB Pounds will increase net assets by US\$26,950 (2019: US\$8,718).

Currency exposures

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

	2020				2019			
	US\$'000				US\$'000			
	Assets/(liabilities) held				Assets/(liabilities) held			
	GBP	ZAR	MZN	Total	GBP	ZAR	MZN	Total
US Dollars	435	-	37	472	187	5	12	204
	435	-	37	472	187	5	12	204

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Mozambican Meticaïs and GB Pounds, but these are not significant as most of the transactions are in US Dollars.

Credit risk

The Group's exposure to credit risk mainly related to loan receivable in regards to the C&I Maiden Project in Mozambique. Allowances are recognised as required under the IFRS 9 impairment model and continue to be carried until there are indicators that there is no reasonable expectation of recovery.

Subject to COVID-19, the outlook for the energy industry is not expected to result in a significant change in the Group's exposure to credit losses. Allowances are calculated on a case-by-case basis based on the credit risk applicable to individual projects.

The Group has established a credit policy under which each new project is analysed individually for creditworthiness before the Group decides to make an offer to fund. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases bank references.

Exposure to credit risk is continually monitored in order to identify projects which experience a significant change in credit risk. The Group monitors its exposure to credit risk on an ongoing basis at various levels and only deal with financial counterparties that have a sufficiently high credit rating. The Group considers a financial asset to have low credit risk if the asset has a low risk of default; the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term; and no adverse changes in economic or business conditions have been identified which in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations.

The Group continually monitors for indications that a financial asset has become credit impaired with an allowance for credit impairment recognised when the loss is incurred.

Credit risk of the loan receivable has not increased significantly since its initial recognition and a low risk of default was noted in relation to the loan receivable.

Notes to the consolidated financial statements

23. 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, the outstanding principal plus interest amount up to 31 December 2020 of US\$1.5 million (2019: US\$1.4 million) related to a Trust of which Non-Executive Chairman, Michael Haworth is a potential beneficiary, US\$0.14 million (2019: US\$0.13 million), to Executive Director, Hanno Pengilly, and US\$0.11 million (2019: US\$0.1 million), to previous Director Estevão Pale.

Refer to note 15 for details of the terms and conditions.

Hanno Pengilly – Executive Director of Ncondezi Energy Limited - Director of Herne Capital (Pty) Ltd (“HCL”)

During the year US\$360,000 (2019: US\$240,000) was paid by the Company to HCL in respect of services provided by Hanno Pengilly. There was US\$48,000 related to consultancy fees and \$120,000 related to 2019 and 2020 bonus outstanding balances at 31 December 2020 (2019: US\$nil).

HCL provides leadership on key corporate activities such as capital raising, reporting and press releases, investor relations strategy.

Working Capital Facility

The US\$750,000 working capital facility expired at the end of June 2020. During the period US\$250,000 had been drawn down. The facility was provided by a company owned by a trust of which CEO, Hanno Pengilly, is a potential beneficiary. At the end of the period the loan had accumulated US\$23,000 in interest.

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

During the year US\$110,000 (2019: US\$121,000) was paid by the Company to Synergy Consulting Inc. in respect of services provided by Synergy. At 31 December 2020 the outstanding balance was US\$nil (2019: US\$nil).

Scott Fletcher - Non-Executive Director of Ncondezi Energy Limited

During the year Scott Fletcher subscribed 1,777,800 Ordinary Shares in the November Placing for a total of £80,000. Under the Share Placing a total of 888,900 warrants were issued to Scott Fletcher. Details of the warrants are contained in note 16.

Details of Key Management Remuneration are contained in note 3.

24. 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\$2.0 million following an agreed programme. By December 2016 half of this budget has been successfully spent in various initiatives. During the year there was no expenditure related to social development programmes (2019: US\$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\$5.0 million 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.

Notes to the consolidated financial statements

24. Commitments (*continued*)

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.

GridX Fees and first C&I solar PV and battery storage project Commitment

On 6 May 2020 the Company signed a Relationship Agreement with GridX to fund a pipeline of projects in Mozambique up to a total of US\$5.5 million. GridX agreed to forego payment of the final amount of the GridX Fee of US\$130,000 which would have been payable under the previous arrangement upon completion of a number of conditions that were not met, and this is no longer a potential payment requirement.

During the period out of the initial commitment by Ncondezi of US\$1.1 million, US\$665,000 has been transferred to the C&I SPV to fund the C&I Maiden Project. Due to the COVID-19 outbreak in early April 2020 a force majeure notice was issued by the off-taker. Project construction was put on hold pending further clarity on the impact of COVID-19 and the lifting of travel restrictions, which occurred in March 2021.

25. Events after the reporting date

- US\$26.7 million was "in-principle" agreed as the target Project historical expenditure. US\$21.0 million expenditure was audited by a third-party and the audit report was accepted by CMEC "in principle". US\$5.7 million of costs relating to historical senior and project management costs are still under negotiation.
- Following the lifting of the COVID-19 related force majeure in March 2021, remobilisation and construction works has taken place at the C&I Maiden Project in Mozambique.
- In March 2021 the Company entered into a MSA with Synergy to provide financial and transaction advisory services to the Group for the Ncondezi Project. The MSA covers potential advisory services to the Project up to FC, including:
 - finalisation of Project power tariff with EDM;
 - negotiations with CMEC on Project subscription price;
 - negotiations with Project lenders for debt financing and
 - capital raising for Ncondezi's equity contribution towards the Project at FC.
- A US\$500,000 Bridge Loan was entered between its wholly owned renewables subsidiary, NGP and certain Company Directors to finance the construction of the C&I Maiden project under the AFA.

Director's Bridge Loan key terms:

- Fixed 30% coupon payable by NGP at the earlier of:
 - 6 months from first drawdown;
 - 20 business days from commissioning of the Project; or
 - 20 business days from termination of any of the Project key commercial agreements together the "Repayment Date".

Notes to the consolidated financial statements

25. Events after the reporting date (*continued*)

If commissioning date is further delayed as a direct result of the COVID-19 pandemic, the Parties can agree an extension to the Repayment Date for up to 8 months from first drawdown.

- Increased coupon rate of 50% if NGP fails to repay the Bridge Loan by the Repayment Date.

The Bridge Loan constitutes a related party transaction for the purposes of AIM Rule 13 of the AIM Rules for Companies. Accordingly, the Company's Non-Executive Director Aman Sachdeva (being the only director not involved in the Bridge Loan and therefore considered to be independent for the purposes of the related party transaction) considers, having consulted with Liberum Capital Limited, the Company's Nominated Adviser, the terms of the Bridge Loan to be fair and reasonable insofar as the Company's Shareholders are concerned.

On 18 June 2021 US\$228,000 was drawdown.

- In March 2021 4,352,403 Ordinary Shares of no par value in the Company in aggregate were issued in lieu of certain deferred salaries, awarded bonuses and outstanding contractor, adviser and consultant fees.
 - The CEO has subscribed for 3,240,401 Ordinary Shares in aggregate comprising:
 - 1,996,755 Ordinary Shares at 4.5p per Ordinary Share in relation to contractual bonuses due to him on the achievement of various milestones in 2019 and 2020; and
 - 1,243,646 Ordinary Shares issued at 3.0p per Ordinary Share in relation to his deferred salary between April 2020 and November 2020.
 - 754,860 Ordinary Shares issued at 3.0p per share to certain employees, contractors and consultants to the Company in relation to outstanding deferred salaries and fees accrued between April 2020 and November 2020 and 357,142 Ordinary Shares issued at 4.2p per share in lieu of outstanding adviser fees.
 - The CEO has agreed to enter into a lock-in agreement with the Company in relation to the 3,240,401 Ordinary Shares being issued to him such that he will not be able to sell any of these shares for a period of 3 years from the date of issue without the prior permission of the Company.
- NGP and CPL have signed a binding relationship agreement under which NGP has the right (but not the obligation) to fund a pipeline of C&I solar and battery storage projects in Mozambique. The CPL relationship agreement supersedes the existing relationship agreement signed with GridX, announced on 6 May 2020. The rights and obligations of GridX and NGP under the GridX relationship agreement have been suspended and may be reinstated by mutual agreement between the parties. As part of the suspension process, GridX has agreed to novate to CPL all commercial agreements in relation to NGP's C&I project currently under construction and to release to CPL any rights in relation to 5 of the existing 6 Projects in the pipeline. The CPL relationship agreement includes a diversified portfolio of 6 potential projects in Mozambique with a combined potential installed solar capacity of 2.8 MWp and 6.2 MWh of battery storage.
- In June 2021, the Company announced that a term sheet with binding exclusivity had been signed between NGP and NESAs detailing the proposed formation of a new JVCo to create a leading regional Southern African champion in the C&I renewable energy and battery storage sector. The key highlights of the term sheet are:
 - Outlines proposed structure to create a regional champion in the southern African C&I renewable energy sector;

Notes to the consolidated financial statements

25. Events after the reporting date (*continued*)

- Provides NGP and NESAs mutual exclusivity until 30 November 2021 to form JVCo and raise capital for its activities; and
- Outlines the plan for JVCo to acquire a controlling stake in the NIH Portfolio, currently under separate ownership by NIH.

The JVCo would be a newly incorporated company with assets from NGP and NES including:

- NGP's 400kWp solar PV and 0.9MWh battery storage project currently under construction
- NGP's project pipeline in Mozambique
- NESAs C&I renewable energy management team
- NESAs EPC business
- NESAs pipeline in South Africa

The term sheet provides that NGP will acquire a minimum 40% equity stake in JVCo pre new equity capital with various options to increase its equity stake subject to certain terms. NESAs, NIH and NGP have entered into a binding agreement granting NESAs and NGP exclusive rights to negotiate terms on which they would acquire, through the proposed JVCo, a minimum 51% interest in the NIH Portfolio by 30 November 2021 with a subsequent option to acquire up to 100% within a 5 year period. Following the proposed capital raise and transaction, JVCo will have a combined operational portfolio of 15.9MWp solar PV and 1.1MWh battery storage across 67 sites in South Africa and Mozambique, subject to funding and acquisition of the NIH Portfolio. This will have projected CO₂ savings up to 22,000t per annum and projected US\$40.0 million in contracted EBITDA with average contract life of 17 years. The current combined project pipeline of the JVCo if successfully implemented would lead to 94.5MWp solar PV and 13.5MWp battery storage across a further 47 potential sites with potential CO₂ savings up to 130,000t per annum.

Discussions regarding capital raising are already underway targeting a fund-raise directly into JVCo for working capital purposes and towards its acquisition and long term growth strategy. Non-binding offers have been received from multiple parties to provide equity funding into JVCo and term sheets have been received from debt providers to leverage the combined operational portfolio. The JVCo capital structure is expected to be finalised in Q3 2021.

Company Information

Directors	Michael Haworth (Non-Executive Chairman) Scott Fletcher (Non-Executive Director) Aman Sachdeva (Non-Executive Director) Hanno Pengilly (Executive Director)
Company Secretary	Elysium Fund Management Limited PO Box 650, 1 st Floor, Royal Chambers St Julian's Avenue St Peter Port Guernsey GY1 3JX
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Company number	1019077
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Joint Broker	Novum Securitites Ltrd Lansdowne House 57 Berkeley Square London W1J 6ER
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Registrar	Computershare Investor Services (BVI) Limited Woodbourne Hall PO Box 3162 Road Town Tortola British Virgin Islands
Legal advisor to the Company as to BVI law	Ogier LLP 41 Lothbury London EC2R 7HF
Legal advisor to the Company as to English law	Bryan Cave Leighton Paisner LLP Governors House 5 Laurence Pountney Hill London EC4R 0BR