NCONDEZI ENERGY

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NEWS RELEASE

Audited Final Results for Year Ended 31 December 2016

30 June 2017: Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to announce its audited final results for the year ended 31 December 2016.

Highlights

During the year

- Binding Joint Development Agreement ("JDA") with Shanghai Electric Power Co., Ltd ("SEP") (Shanghai Stock Exchange code 600021) signed in January 2016 to develop the Ncondezi 300 MW integrated thermal coal power plant (the "Power Project") and transmission line

- US$1.32 million raised via loan facility from certain of Ncondezi's Directors, management and long term shareholders in May 2016 and originally due for repayment in May 2017 (the "2016 Shareholder Loan")

- Key meetings in Mozambique in July 2016 between the Company, SEP, the Minister of Mineral Resources and Energy and representatives of Electricidade de Moçambique ("EDM")

- Up to US$3.0 million loan facility agreed with Africa Finance Corporation ("AFC") in August 2016, with AFC acceding to the terms of the existing Shareholder Loan in two tranches:

  - Tranche A for a total of US$1.0 million on the same terms as the existing Shareholder Loan originally due to be repayable on 10 May 2017. US$0.96 million drawn down in August 2016

  - Tranche B is a conditional US$2.0 million loan with a 24 month term from first drawdown subject to certain conditions, including the completion of the JDA with SEP and Ncondezi providing an appropriate security package

Since year end

- Amended repayment terms of the Shareholder Loan (comprising the existing Shareholder Loan and Tranche A provided by AFC) agreed with repayment extended until 2 September 2017

- Suspension of exclusive negotiations with SEP regarding the JDA and launch of new partner search process in May 2017

- On 23 June 2017, the Company announced that it has finalised the agreement for an additional US$350,000 ("New Loan") under the amended Shareholder Loan. The New Loan provides the Company with sufficient funding to progress the new partner search and cover working capital costs until the beginning of September 2017. In addition, the senior management team agreed to convert their deferred salaries into the existing Shareholder Loan. The total amount to be converted into Shareholder Loan is US$232,000.

- On 26 May 2017, Christiaan Schutte resigned as Chief Operating Officer but remains as non-executive director.

The Company will post its Annual Report and Accounts for the year ended 31 December 2016 ("2016 Annual Report and Accounts") to shareholders on 30 June 2017. A copy of the 2016 Annual Report and Accounts will be available on the Company's website www.ncondezienergy.com.

Enquiries

For further information please visit www.ncondezienergy.com or contact:

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

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

Chairman's Statement

Dear Shareholder,

The 2016 financial year was expected to be a milestone year for the Company with the signing of the binding JDA with SEP in January 2016. Disappointingly and despite the Company's best efforts, the SEP Investment Conditions to complete JDA had not been met by the end of the financial year.

During Q1 2017 the Company worked to agree a Development Agreement with SEP which would have provided interim funding to Ncondezi to finalise the JDA. However by May 2017 SEP had not provided funding to the project and the Board made the decision to suspend exclusive discussions with SEP. The ongoing delays in SEP providing funding for the Power Project had become unsustainable and the Board believed that this decision was in the best interests of the Company and its shareholders following more than three years of negotiations and work with SEP. This decision allows the Company to engage with alternative potential development partners.

During 2016, the Company made good progress towards completing all the SEP Investment Conditions that were within its control including the receipt of in principle support from EDM for SEP to become the Strategic Partner in the Power Project and the change to Pulverized Coal ("PC") boiler technology. In addition, Ncondezi incorporated the UAE holding company, signed a non-binding Shareholders' Agreement Term Sheet and the audit of Ncondezi's US$17 million of historic power plant cost[1] had been completed and was awaiting final submission when the exclusive discussions were suspended.

The key attractions of the Power Project however remain unchanged, with all the technical work substantially complete, advanced form Power Purchase Agreement ("PPA") and Power Concession Agreement ("PCA") negotiated, an "in principle" agreement with EDM on the electricity tariff and the mine concession and all key Environmental and Social Impact Assessment studies either awarded or approved. Additionally, the positive work completed during 2016 and previously is not specific to SEP and can be utilised by any strategic partner.

The Company holds one of the most advanced development coal power projects in the region and in May 2017, the Company initiated a new partner search to identify and select an alternative Strategic Partner to participate in the Power Project. The Company has received a number of expressions of interest from potential Strategic Partners and project developers, and expects to provide initial feedback on the process before the end of July 2017.

All development work streams, including those related to the mine, are expected to remain on hold until further progress on the Strategic Partner search is complete. The Company expects all work streams including Financial Close will take at least 12 months to complete once a new partner is in place.

In May 2016, the Company secured a US$1.32 million loan facility from its Directors, management and long term shareholders. In August 2016, the Company announced another key stage of funding when AFC joined the Shareholder Loan facility with an additional commitment of up to US$3.0 million with US$1.0 million immediately available for draw down and US$2.0 million subject to further conditions. In May 2017, the Company agreed an amendment to the repayment terms of the Shareholder Loan, with repayment extended to 2 of September 2017, providing additional time to progress the project and better develop additional financing options.

In June 2017, the Company announced an additional US$0.35 million had been secured through existing Shareholder Loan holders to fund the Company until the beginning of September 2017 in order to progress with the new partner search process. In addition, senior management deferred salaries totalling US$0.23m were satisfied through issuance of an additional loan of the same value. Further details of the terms of the loans are set out in the Operations Review and in notes 11 and 19 of the financial statements.

[1] *Historic cost for the purposes of the JDA refers to both expenditure capitalised under IFRS and costs incurred that did not meet capitalisation criteria and were expensed under IFRS*

A total of US$ 2.4 million has been drawn down under the Shareholder Loan and the repayment amount is now US$ 5.1 million on 2 September 2017 including principal and return.

Cost saving initiatives activated in 2015 allowed the Company to reduce administrative expenses, excluding accrual reversals and share based payment charges, from US$2.7million in 2015 to US$2.4million in 2016, despite the ongoing delays and significant additional unbudgeted third party consultancy work being carried out to meet the SEP Investment Conditions. The current run rate has been reduced significantly from these levels.

With the new partner search underway and the focus on cost control during this time, the Company regretfully announced that Mr Christiaan Schutte has resigned as Chief Operating Officer with effect from 26 May 2017 but remains on the board as a Non-Executive Director. The finance function, financial advisor and Mozambican operations will report directly to and be actively managed by the Board.

The Directors are exploring a number of funding and working capital solutions beyond the 2 September 2017 maturity of the Shareholder Loan. This will to a large extent depend on positive progress being made with the partner search process ahead of this date. The financial statements have been prepared on a going concern basis in anticipation of a positive outcome but it is important to highlight that the new partner search is in its early stages and that there are no binding agreements in place with no certainty that the Shareholder Loan will be restructured and that additional funding will be raised.

Michael Haworth
Non-Executive Chairman

Operations Review

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

JDA with SEP
On 11 January 2016, the Company announced that it had signed the JDA with SEP. The JDA is a binding agreement between Ncondezi and SEP and sets out the terms on which the Power Project would be developed. Key terms of the JDA included:

- SEP to become the strategic investor in the Power Project
- SEP to invest up to US$25.5 million to fund the development costs to Financial Close in return for a controlling 60% equity interest in Ncondezi Power Company S.A ("NPC"), a subsidiary that would hold 100% of the Power Project
- Power Project boiler technology would change from Circulating Fluidized-Bed ("CFB") to PC
- NPC would pay Ncondezi an additional US$35 million on initial draw down of funds after Financial Close of the Power Project

Despite good progress having been made on the SEP Investment Conditions, particularly with respect to the conditions that were within the Company's control, the SEP Investment Conditions were not satisfied by 31 December 2016. On 30 March 2017, the Company announced that it was in advanced negotiations with SEP to finalise a development funding agreement whereby SEP would provide up to $3.0 million to fund a development program and budget to finalise the JDA. The development funding was due to be signed by SEP in March of 2017.

Suspension of Exclusive Discussions with SEP
On 26 May 2017, the Company announced that it had suspended exclusive discussions with SEP. Exclusivity arrangements with SEP had lapsed and Ncondezi had engaged with additional strategic partners which had expressed an unsolicited interest in developing the project alongside Ncondezi.

New Partner Search
The Power Project is at an advanced stage and is supported by attractive economics. Key highlights of the project remain:

- Advanced form PPA and PCA with "in principle" agreement with EDM on the electricity tariff
- Technical work substantially complete
- Environmental and Social Impact Assessment studies complete for the mine and power plant
- Mine Concession awarded and large thermal coal resource of 4 billion tonnes
- Access to power grid approved
- Clear pathway to Financial Close, subject to funding

Shareholder Loan
On 11 May 2016, the Company announced that it had secured a US$1.32 million loan facility ("Shareholder Loan") with certain of Ncondezi's Directors, Management and long term shareholders (together the "Lenders").

The Shareholder Loan was intended to provide the Company with bridging funding for its corporate overheads while it completed the SEP Investment Conditions to make the JDA effective.

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

Tranche A was drawn down in accordance with the existing Shareholder Loan terms (set out in the announcement dated 11 May 2016), some of which have been amended since year end as detailed in note 19 to the financial statements. A catch up advance of US$960,000 was paid to Ncondezi as an upfront payment on 2 September 2016, which was equivalent to AFC's pro rata payment alongside the existing drawdown from Lenders.

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

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

Under the terms of the Shareholder Loan the cost of the loan was 1.5x (comprising 1.0x principal and 0.5x return) if repayment was made by 10 May 2017. The cost of the Shareholder Loan is now 2.0x the drawn down amount (comprising 1.0x principal and 1.0x return).

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

On 23 of June 2017 the Company entered into an amendment ("New Loan") to the original Shareholders Loan with an additional funding of US$350,000. The financing has been committed by the Chairman Michael Haworth (US$200,000) and other existing long term shareholders (US$150,000). The New Loan will receive a 1.25x return at its maturity on 2 September 2017.

As part of this same amendment the senior management team of the Company have agreed to convert their deferred 50% salary between November 2016 and January 2017, and 100% of their salary since February 2017 into the existing Shareholder Loan. The total amount is US$232,000, but this sum will not attract any interest and matures on 2 September 2017.

As at 27 June 2017, a total of US$ 2,392,545 has been drawn down under the total Shareholder Loan and the repayment amount will be US$5,054,591 on 2 September 2017.

Development Program to Financial Close
Following the suspension of exclusive discussions with SEP and the launch of the new partner process, all key development work streams have been put on hold pending an outcome with a new potential strategic partner.

The Power Project and Mine are however at an advanced level of development and can be rapidly advanced once any the decision to proceed is made. The Company expects Financial Close to take at least 12 months from the date of a new partner being confirmed.

Financial Review

Results from operations

The Group made a loss after tax for the year of US$3.0m compared to a loss of US$2.1m for the previous financial year. The basic loss per share for the year was 1.2 cents (2015: 0.8 cents).

Administrative expenses totalled US$2.4m (2015: US$2.1m) noting that 2015 included a US$0.7m non-cash gain in respect of reversal of accruals. Administrative expenses refer principally to staff costs, professional fees and travel costs and underlying administrative expenses have reduced due to cost cutting measures.

The loss after tax includes a US$0.7m (2015: Nil) finance cost associated with the amortisation of the redemption premium on the Shareholder Loan.

Financial Position

The Group's statement of financial position at 31 December 2016 and comparatives at 31 December 2015 are summarised below:

	2016 US$'000	2015 US$'000
Non-current assets	**8,995**	18,249
Current assets	**242**	514
Non-current assets held for sale	**9,389**	-
Total assets	**18,626**	18,763
Current liabilities	**3,374**	555
Total liabilities	**3,374**	555
Net assets	**15,252**	18,208

The movement in non-current assets of US$9.3m was largely due to transfer of US$9.4m power related assets to non-current asset held for sale. This reclassification arises as the Group had signed a JDA in the year with SEP for disposal of a 60% controlling equity interest in return for SEP providing up to US$25.5m towards development costs and as at 31 December 2016 the Group anticipated that the investment conditions would be met in due course and that the transaction would complete.

Capitalised additions totalled US$0.2m (2015: US$1.0m) principally in respect of the Power Project.

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

Cash Flows

The net cash outflow from operating activities for the year was US$2.0m (2015: US$4.5m). The cash outflow principally represented administrative costs for the year with limited working capital movements. The 2015 cash outflow included US$2.1m of creditor payments in addition to the operating costs for the year.

Net cash used in investing activities was US$0.3m (2015: US$0.7m), mainly related to development activities incurred on the Power Project.

Net cash from financing activities was US$2.0m (2015: US$1.1m) mainly related to the short term loans described above in 2016 and share issues in 2015.

The resulting year end cash and cash equivalents held totalled US$0.2m (2015: US$0.4m).

Outlook

The Directors have reviewed future cash forecasts, with particular reference to minimum expenditure requirements on the licences and the intended work programme for the Power Project and Ncondezi Coal Mine for 2017, which is focused on securing a new Strategic Partner to progress the Power Project. Based upon projections the current cash reserves together with the undrawn loan facility will fund overhead expenditure to 2 September 2017 at which point the Shareholder Loan matures totalling $5.1m and becomes repayable.

The Directors continue to explore options in respect of raising further funds to continue with the power plant and mine development programmes. At present there are no binding agreements in place and there can be no certainty as to the Group's ability to raise additional funding.

The Group will need to extend, refinance or settle the Shareholder Loan in equity by their maturity date, of which US$0.96m of the principal was lent by Directors. In addition, further funding will be required to meet liabilities as they fall due after September 2017. The Directors are exploring a number of funding and working capital solutions beyond the 2 September 2017 maturity of the Shareholder Loan. This will to a large extent depend on positive progress being made with the partner search process ahead of this date. The financial statements have been prepared on a going concern basis in anticipation of a positive outcome but it is important to highlight that the new partner search is in its early stages and that there are no binding agreements in place with no certainty that the Shareholder Loan will be restructured and that additional funding will be raised.

Resource Summary

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

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

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

South Block Measured Resource (November 2013 - reviewed by Mineral Cop in May 2015)
(The Measured Resources are a subset of the Indicated and Inferred Resources reported in February 2013)

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

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

Competent Person's statement

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

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

The JORC Code sets out minimum standards, recommendations and guidelines for Public Reporting of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this release has been presented in accordance with the JORC Code and references to "Measured" Resources are relevant to that term as defined in the JORC Code.

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

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

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

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

There has been no changes since the last review on May 2015.

Environmental and Social Responsibility

Ncondezi Social Development Programme

Ncondezi concentrated most of its SDP resources during 2016 on the Agricultural Project. The initial 20 hectares remained the same in 2016 and the program has continued to involve and benefit the local communities.

Ncondezi's objective is to transfer the management of the agricultural project to the local government and community. To this end Ncondezi is encouraging each village to form an association with the assistance of the Moatize Administration (Agricultural Department). This will give the local communities more autonomy whereby they are also able to get additional funding/materials from local Government or NGO's. By end of Q2 2017 Ncondezi should have withdrawn from this project area.

During 2016, the Ncondezi Agricultural Project continued to receive positive feedback through the Moatize District Agricultural Department which has performed a number of mini field days including a visit by all the Provincial Agricultural Directors of Mozambique as well as the National Deputy Minister of Agriculture.

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 remoter areas.
- Ncondezi built a new primary school at Waenera village.
- Upgrading of the Mameme clinic and the construction of a new maternity wing.
- An Agricultural Project based on conservation Farming. This included the villages of Catabua and Canjedza as an initial model. The objective being a platform to educate the local communities in all aspects of crop husbandry using their own resources.

Director's Biographies

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

Christiaan Schutte / Non-Executive Director (resigned as Chief Operating Officer in May 2017)
Christiaan Schutte's career in the power sector spans over 20 years during which time he held a number of senior management positions at Eskom, the South African electricity public utility which is the largest producer of electricity in Africa.

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

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

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

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

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

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

NCONDEZI ENERGY

Directors' Report

The Directors present their Annual Report and the audited group financial statements headed by Ncondezi Energy Limited for the year ended 31 December 2016.

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

Business review and future developments
Details of the Group's business and expected future developments are set out in the Chairman's Statement, the Operations Review and in the Financial Review.

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

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 16.

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

	2016	2015	2014
Mine exploration expenditure (US$'000)	**13**	21	580
Power development expenditure (US$'000)	**249**	939	3,848
Share price at 31 December (pence)	**5.3p**	3.6p	5.5p
Cash at bank at 31 December (US$'000)	**152**	402	4,515

Results and dividends
The results of the Group for the year ended 31 December 2016 are set out on the consolidated statement of profit or loss.

The Directors do not recommend payment of a dividend for the year (2015: nil). The loss will be transferred to reserves.

Events after the reporting date
See note 19 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 16 of the financial statements.

Going concern
As at 27 June 2017 the Group had cash reserves of approximately US$0.23m. The current cash reserves and undrawn loan facility of US$150,000 are sufficient to fund ongoing costs until beginning of September 2017. Details on going concern are contained in note 1 of the financial statements.

Directors and Directors' interests

Director	Note	Appointment date	Ordinary Shares held 31 December 2016	Ordinary Shares held 31 December 2015
Michael Haworth	1	01.06.12	**16,438,296**	16,438,296
Jacek Glowacki	2	28.10.13	-	-
Estevão Pale		03.06.10	-	-
Christiaan Schutte		04.02.13	-	-
Aman Sachdeva	3	21.05.15	-	-

1. Includes shares held by a trust of which Michael Haworth is a potential beneficiary.
2. Jacek Glowacki is a director of Polenergia Group, a subsidiary of Kulczyk Investments S.A. which holds 2,220,881 ordinary shares representing 0.89% of the issued Ordinary Shares as at 14 June 2017.
3. Aman Sachdeva is AFC's nominated director. AFC holds 54,988,520 ordinary shares representing 21.9% of the issued Ordinary Shares as at 14 June 2017.

Annual General Meeting
Resolutions will be proposed at the forthcoming Annual General Meeting, as set out in the Formal Notice. In accordance with the Company's Articles of Association one third of the Directors are required to retire by rotation. Accordingly, Michael Haworth 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.

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

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

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

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

By order of the Board

Elysium Fund Management Limited
Company Secretary

29 June 2017

Risk Factors

Risk(s)	Potential Impact(s)	Mitigation Measure(s)
Financing risk	The Group has limited financial resources that are only expected to last until beginning of September 2017. The Group will need to restructure its existing loans by 2 September 2017 and secure investment from strategic investors and/or investment from co-developers to provide working capital beyond this date. 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 Power Project and failure to secure such financing would result in failure of the Power Project and/or delay in its execution. To achieve Financial Close of the Power Project, the Group will also need to progress conclude some of its on-going negotiations on key project agreements, including the PCA and the PPA. Failure or delay in doing so may lead to failure of the Power Project and/or delay in its execution.	The Power Project is at an advanced level of development with the majority of technical work completed and advanced form PPA and PCA documents being agreed. Ncondezi has launched a new partner process and expects any new partner to provide financial support to the project both at the developmental stages to Financial Close as well as during construction. It is important to highlight that the new partner search is in its early stages and that there are no binding agreements in place with no certainty that additional funding will be raised. The Company intends to engage with a range of potential financing partners with the objective of securing additional development capital for the costs that will not be covered by a new partner, including select corporate overheads. The Directors' will monitor the monthly cash burn rate to ensure the Group operates within its cash resources for as long as possible.
Off-taker risk	In the event that the Group is unable to renew the commercial deal with EDM or finalise the PPA on acceptable terms, the Group will need to secure an alternative credible power off-taker(s) to raise finance for the power plant project. There is no guarantee that, in such circumstances, the Group will be able to secure a credit worthy off-taker for the full output with the plant operating at load factors in excess of 80 per cent.	The Company has substantially advanced the PPA and PCA through previous negotiations with EDM and Ministry of Mineral Resources and Energy. EDM has indicated its willingness to continue negotiations once the Company introduces an acceptable strategic partner. There is a shortage of power in the region, with Mozambique currently exporting power to South Africa, Zimbabwe, Zambia, Botswana and Namibia. Each of these countries could provide a potential credible power off-taker for the Power Project either as a substitute or as additional power off-taker for an expanded power plant. The Company monitors this potential closely and has responded to a Request for Information ('RFI') from the South African government regarding potential cross border power supply.
Competition from other power stations in Mozambique	Other power stations are being developed in the Tete region and are competing for offtake to EDM as well as resources such as water and transmission line servitudes.	The Power 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. 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. 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.
Performance risk	The power plant may be unable to perform as per the EPC proposal, which may lead to a delay.	As the Power Project progresses, performance warranties and guarantees will be required from the EPC contractor as part of the EPC contract, including liquidated damages for non-performance. The Minimum Functional Specification will define the operating characteristics, including the net capacity and operational criteria such as start-up response times, dynamic response, and minimum load etc.
River water resource risk	The Revúbuè and Ncondezi Rivers are seasonal, should there be insufficient water at the confluence (water extraction point), the power plant operation will fail.	Detailed water investigations are being performed to ascertain the quantity of water available to the Power Project (power plant and mine) and the required extraction rates. Investigations into the possibility of obtaining water from the Zambezi River as a more reliable source of water will be performed, should inadequate quantities be identified from the Revúbuè and Ncondezi Rivers.
Project development risks	There can be no assurance that the Group will be able to manage effectively the expansion of its operations or that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations, including the Power Project. This includes, inter alia, the Group managing the acquisition of required land tenure, infrastructure development, contracting, procurement, technology, financing and any issues affecting local and indigenous populations, their cultures and religions. Any failure of the Board to manage effectively the Group's growth and development could have a material adverse effect on the Power Project economics and the Group's business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Group's current strategy will develop as anticipated and that the Power Project will be realised or that the Group will be profitable.	The Group believes that it can mitigate a significant part of any development risks of the Power Project through partnership with an internationally recognised partner in the power sector with the prerequisite development and operational expertise. The Group will look to appoint an owners engineer with the appropriate experience and track record to manage the development phase of the power plants in southern Africa. The Group is working closely with select mining contractors in relation to the mine development.

Use of PC Boiler Technology	PC technology has not been used in Mozambique as there are currently no coal fired power plants. Although PC is proven technology, its application in Mozambique is new. Consequences may include not meeting expected performance in terms of plant output, efficiency and emission limits. Operator and maintenance issues may arise if the Group is not familiar with this technology. This may have an impact on plant reliability and availability.	Rigorously review the plant performance in the country of origin as well as in other countries where this technology is in use. Visit and discuss with power project sponsors/users of identical installation outside Mozambique to benefit from their experience. Actively participate in erection and commissioning activities during project execution. Embed in the EPC contractor's organisation the Group's own personnel during all phases of the project execution. Subject the power plant to rigorous pre-commissioning and commissioning tests as well as performance guarantee tests on completion. The power plant technology will be finalised post successful completion of the new partner process, with the potential for the boiler technology to revert back to circulating fluidized bed (CFB) boiler technology. In such a situation, the same potential impacts and mitigations will apply.
Power plant location geotechnical risks	Improper geotechnical investigation may lead to increase in construction cost.	An initial geotechnical study was completed late in H2 2012 on the proposed power plant site. No fatal flaws were identified. Further work will be completed to reaffirm the geotechnical study results ahead of any major construction.
Utilities availability and transportation (water, limestone, coal, accessibility, heavy loads transportation)	The cost of the infrastructure related to plant resources may increase if a proper assessment is not done.	Detailed utilities studies and surveys of the area and location to determine logistics associated with the supply of utilities have been completed and confirm there are no major impediments.
Mining	Delays in the construction and commissioning of the mining project.	As the mine project progresses, performance warranties and guarantees will be required from the mine contractor as part of the mine EPC contract, including liquidated damages for non-performance.
Estimating mineral reserve and resource	The estimation of mineral reserves and mineral resources is a subjective process and the accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions used and judgements made in interpreting engineering and geological information. There is significant uncertainty in any reserve or resource estimate and the actual deposits encountered and the economic viability of mining a deposit may differ materially from the Group's estimates.	Resources • Sign-off of resources by registered Competent Person ("CP"). • Reporting resources in accordance with the JORC code • Classification of resources into a high level of confidence category • Conduct detailed geological modelling • The utilisation of accredited laboratories for the analyses of coal samples

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

		evacuation route once this route has been confirmed.
Foreign Country risk	The Group's exploration licences and project are in Mozambique. The Group faces political risk whereby changes in government policy or a change of governing political party could place its exploration licences and project in jeopardy. Mozambique has recently defaulted on commercial loans resulting in donors and the International Monetary Fund (IMF) freezing aid to Mozambique, which may affect financing of the Power Project at Financial Close.	The Mozambique government has been stable for many years and fosters a beneficial climate towards companies exploring for resources. The Mozambican Government is working with donors and the IMF to restore aid to the country, and an audit report into the defaulting loans has been commissioned as a first step to reaching a resolution. All parties have committed to resolving the issue in a reasonable and transparent manner to restore confidence in the country.

Corporate Governance Statement

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

A statement of the Directors' responsibilities in respect of the financial statements is set out on the Statement of Director's Responsibilities. Below is a brief description of the role of the Board and its committees, including a statement regarding the Group's system of internal financial control.

The workings of the Board and its committees

The Board of Directors

At 31 December 2016, the Board comprised a Non-Executive Chairman, (Michael Haworth), one Executive Director (Christiaan Schutte) and three further Non-Executive Directors (Jacek Glowacki, Estevão Pale, and Aman Sachdeva).

On 26 May 2017 Christiaan Schutte resigned as Chief Operating Officer but remains as Non-Executive Director.

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

The Company has established audit and remuneration committees of the Board with formally delegated duties and responsibilities. In 2016 Michael Haworth remained the sole member of both committees. As a result, the company has reserved matters of audit and remuneration to the Board until additional members are appointed.

Conflicts of interest

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

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

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

Company materiality threshold

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

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

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

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

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

The Audit Committee
During 2016, the Audit Committee was chaired by Michael Haworth (Committee Chairman). Until an additional member is appointed, audit related matters will be reserved for the Board.

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

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

The Remuneration Committee
The Remuneration Committee comprised Michael Haworth (Committee Chairman). Until an additional member is appointed, matters of remuneration will be reserved for the Board.

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

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

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

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

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

Managing business risk

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

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

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

Remuneration Committee Report

At the year ended 31 December 2016, the Remuneration Committee (the 'Committee') comprised Michael Haworth. Until an additional member is appointed, matters of remuneration will be reserved for the Board.

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

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

Long Term Incentive Plan ("LTIP") and unapproved share option scheme
The Company adopted an LTIP and unapproved share option scheme which are administered by the Committee. These are discretionary and the Committee will decide whether to make share awards under the LTIP or unapproved share option scheme at any time. As at 31 December 2016 the following awards to Directors remained in place:

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

Grant of Share Awards
During 2016 no share options were issued to the Company's executive senior management and contracted personnel (2015: nil).

Directors' Options
During 2016 no share options were issued to the Company's Directors (2015: nil).

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

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

Directors' remuneration

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 December 2016 for individual directors who held office in the Company during the period.

Director	Note	Base Salary/fee US$'000	Benefits US$'000	Share based payments US$'000	Total 2016 US$'000	Total 2015 US$'000
Michael Haworth		-	-	-	-	-
Christiaan Schutte		**324**	-	-	**324**	302
Estevão Pale		**61**	-	-	**61**	63
Jacek Glowacki		**-**	-	-	**-**	20
Aman Sachdeva		**-**	-	-	**-**	-
Peter O'Connor	1	**-**	-	-	**-**	40
Paul Venter	2	**-**	-	-	**-**	376
Total		**385**	**-**	**-**	**385**	801

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

On behalf of the Board

Michael Haworth
Non-Executive Chairman

29 June 2017

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 the Alternative Investment Market.

A fair presentation also requires the Directors to:

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

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

Independent audit report to the directors of Ncondezi Energy Limited

We have audited the financial statements of Ncondezi Energy Limited for the year ended 31 December 2016 which comprise the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards ("IFRS") as adopted by the European Union.

This report is made solely to the Company's Directors, as a body in accordance with our engagement letter dated 14 March 2017. Our audit work has been undertaken so that we might state to the Company's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation and fair presentation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present fairly, in all material respects the state of the Group's affairs and its financial position as at 31 December 2016 and of its financial performance and its cash flows for the year then ended; and
- have been prepared in accordance with IFRS as adopted by the European Union.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern which is dependent on the Group's ability to extend, refinance or settle the Group's existing loans in equity by their maturity date of 2 September 2017 and raise further funds. These conditions together with the other matters referred to in note 1 indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern which would principally relate to impairment of the Group's non-current assets. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern which would principally relate to impairment of the Group's non-current assets.

Opinion on other matters
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

29 June 2017

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

Consolidated statement of profit or loss

for the year ended 31 December 2016

	Note	**2016 US$'000**	2015 US$'000
Other administrative expenses	3	**(2,356)**	(2,731)
Reversal of accrual	3,10	**-**	656
Share-based payments charge	3	**-**	(42)
Total administrative expenses and loss from operations		**(2,356)**	(2,117)
Finance income		**-**	1
Finance expense	10	**(648)**	(18)
Loss for the year before taxation		**(3,004)**	(2,134)
Taxation	4	**58**	17
Loss for the year attributable to equity holders of the parent company		**(2,946)**	(2,117)
Loss per share expressed in cents			
Basic and diluted	5	**(1.2)**	(0.8)

Consolidated statement of other comprehensive income

for the year ended 31 December 2016

	2016 US$'000	2015 US$'000
Loss after taxation	**(2,946)**	(2,117)
Other comprehensive income:		
Exchange differences on translating foreign operations*	**(10)**	(12)
Total comprehensive loss for the year attributable to equity holders of the parent company	**(2,956)**	(2,129)

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

The notes to the consolidated financial statements form part of these financial statements.

Consolidated statement of financial position

as at 31 December 2016

	Note	**2016 US$'000**	2015 US$'000
Assets			
Non-current assets			
Property, plant and equipment	6	**8,995**	18,249
Total non-current assets		**8,995**	18,249
Current assets			
Inventory		**2**	8
Trade and other receivables	8	**88**	104
Cash and cash equivalents	9	**152**	402
Total current assets		**242**	514
Non-current assets held for sale (diluted interest in relation to SEP transaction)	6	**9,389**	-
Total assets		**18,626**	18,763
Liabilities			
Current liabilities			
Current tax payable		**-**	-
Trade and other payables	10	**1,205**	555
Loans and borrowings	11	**2,169**	-
Total current liabilities		**3,374**	555
Total liabilities		**3,374**	555
Capital and reserves attributable to shareholders			
Share capital	12	**86,557**	86,557
Foreign currency translation reserve		**(6)**	4
Accumulated losses		**(71,299)**	(68,353)
Total capital and reserves		**15,252**	18,208
Total equity and liabilities		**18,626**	18,763

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2017 and were signed on its behalf by:

Michael Haworth
Non-Executive Chairman

The notes to the consolidated financial statements form part of these financial statements.

Consolidated statement of changes in equity

for the year ended at 31 December 2016

	Share capital US$'000	Foreign Currency Translation reserve US$'000	Accumulated Losses US$'000	Total US$'000
At 1 January 2016	**86,557**	**4**	**(68,353)**	**18,208**
Loss for the year	**-**	**-**	**(2,946)**	**(2,946)**
Other comprehensive loss for the year	**-**	**(10)**	**-**	**(10)**
Total comprehensive loss for the year	**-**	**(10)**	**(2,946)**	**(2,956)**
Issue of shares	**-**	**-**	**-**	**-**
Costs associated with issue of shares	**-**	**-**	**-**	**-**
Equity settled share-based payments	**-**	**-**	**-**	**-**
At 31 December 2016	**86,557**	**(6)**	**(71,299)**	**15,252**

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

The notes to the consolidated financial statements form part of these financial statements.

Consolidated statement of cash flows

for the year ended at 31 December 2016

	Note	**2016 US$'000**	2015 US$'000
Cash flow from operating activities			
Loss before taxation		**(3,004)**	(2,134)
Adjustments for:			
Finance income		**-**	(1)
Finance expense		**648**	18
Share-based payments charge	3	**-**	42
Unrealised foreign exchange movements		**(34)**	1
Disposal of property plant and equipment		**1**	-
Deferred payroll costs capitalised to Shareholder Loan		**231**	-
Reversal of accrual	10	**-**	(656)
Depreciation and amortisation		**126**	175
Net cash flow from operating activities before changes in working capital		**(2,032)**	(2,555)
Decrease in inventory		**6**	4
Increase/(decrease) in payables		**16**	(2,100)
Decrease in receivables		**16**	200
Net cash flow from operating activities before tax		**(1,994)**	(4,451)
Income taxes refunded/ (paid)		**58**	(35)
Net cash flow from operating activities after tax		**(1,936)**	(4,486)
Investing activities			
Interest received		**-**	1
Power development costs capitalised		**(249)**	(669)
Mine development costs capitalised		**(13)**	(21)
Net cash flow from investing activities		**(262)**	(689)
Financing activities			
Issue of ordinary shares		**-**	1,184
Cost of share issue		**-**	(105)
Bank charges		**(13)**	(17)
Short term loan		**1,961**	-
Net cash flow from financing activities		**1,948**	1,062
Net decrease in cash and cash equivalents in the year		**(250)**	(4,113)
Cash and cash equivalents at the beginning of the year		**402**	4,515
Cash and cash equivalents at the end of the year		**152**	402

The notes to the consolidated financial statements form part of these financial statements.

Notes to the consolidated financial statements

1. Principal accounting policies

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

Going concern
As at 27 June 2017 the Group had cash reserves of approximately US$0.23m and an available undrawn loan facility of US$0.15m. Based upon projections the current cash reserves plus the available loan facility will fund cash flow requirements until the beginning of September 2017 at which point the Group's loans and borrowings (principal plus return) set out in note 11 and 19 fall due for repayment.

The Group will need to extend, refinance or settle the Shareholder Loan in equity by their maturity date, of which US$0.96m of the principal was lent by Directors. In addition, further funding will be required to meet liabilities as they fall due after September 2017. The Directors are exploring a number of funding and working capital solutions beyond the 2 September 2017 maturity of the Shareholder Loan. This will to a large extent depend on positive progress being made with the partner search process ahead of this date. The financial statements have been prepared on a going concern basis in anticipation of a positive outcome but it is important to highlight that the new partner search is in its early stages and that there are no binding agreements in place with no certainty that the Shareholder Loan will be restructured and that additional funding will be raised.

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

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

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

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

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

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

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

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

Adoption of new and revised accounting standards

The following new standards and amendments to standards are mandatory for the first time for the Group for financial year beginning 1 January 2016. The implementation of these standards did not have a material effect on the Group.

Standard	**Effective date**	**Impact on initial application**
Annual Improvements to IFRSs (2012 - 2014 Cycle)	1 Jan 2016	No impact
IAS1 – Presentation of Financial Statements	1 Jan 2016	No impact
IFRS 10, IFRS 12, IAS 28 – Investment Entities	1 Jan 2016	No impact
IAS 16 and IAS 38 – Depreciation and Amortisation	1 Jan 2016	No impact
IFRS 11 – Joint Operations	1 Jan 2016	No impact
IAS 27 - Separate Financial Statements	1 Jan 2016	No impact

Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of this financial information which have not been adopted early**:**

Standard	**Description**	**Effective date**
IFRS 9	Financial Instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 16	Leases	1 Jan 2019*
IAS 12	Amendment – Recognition of deferred tax assets for unrealised losses	1 Jan 2017
IAS 7	Amendment – Disclosure initiative	1 Jan 2017
IFRS 2	Amendment – Classification and measurement of share based payment transactions	1 Jan 2018

**Not yet been endorsed by the European Union at the date that this financial information was approved and authorised for issue by the Board.*

IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognize revenue and how much revenue to recognize. The core principle is that an entity recognizes revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management anticipate commencing sales in future and are in the process of assessing the impact of this standard.

IFRS 16 introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognize all lease assets and liabilities on the balance sheet; recognize amortization of leased assets and interest on lease liabilities over the lease term; and separately present the principal amount of cash paid and interest in the cash flow statement. Management are currently assessing the impact of this standard as whilst there are no material operating leases in the Group it may be relevant to future operations.

IFRS 9 "Financial instruments" addresses the classification and measurement of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Management are currently assessing the standard's full impact.

Basis of consolidation

Subsidiaries

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

Business combinations

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

Segmental reporting

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

Share-based payments

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the statement of profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

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

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

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

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand, deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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

Held at amortised cost
Financial liabilities refer to trade and other payables and loans and borrowings 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.

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; management is committed to a plan to sell; it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn; an active programme to locate a buyer has been initiated; the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and a sale is expected to complete within 12 months from the date of classification.

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

2. Critical accounting estimates and judgements

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

Accounting judgements

(i) Impairment of mining assets

The Group's mining assets were impaired to US$ 7.6m in 2014 and is held at its estimated value in use which is below cost. Assessment of the carrying value, potential additional impairment or reversal of impairment involves management estimates on highly uncertain matters such as future commodity prices, estimates of future operating expenses, discount rates, production profiles and the outlook for regional market power demand in Mozambique. Management have performed an impairment test using the current economic model for the mine as at year end. The expected future cash flows were estimated using management's best estimates which are based on currently available information such as reserves reports and are consistent with the previously agreed 25 year conditional agreement with EDM for the supply of electricity. Whilst the conditional agreement expired in December 2015, the Company expects the agreed "in principle" tariff range to remain in future negotiations.

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

The key estimates and assumptions are further disclosed in note 6.

(ii) Capitalisation of power project expenditure

The power plant costs in note 6 are capitalised when it is probable that future economic benefits will flow to the Group. When determining the probability of the success of the power plant project Management have considered key milestones, risks and de-risking events and determined that it is more likely than not that the power plant will be developed given the progress to date. Judgement is required in determining whether internal costs are directly attributable to the project and certain payroll costs are capitalised based on analysis of the nature of the work performed by employees.
The final outcome of the power plant development is dependent on a number of technical, financial and political factors; however Management assessed these factors to have been suitably mitigated and de-risked during the year. Whilst exclusivity with SEP has ended subsequent to the year end, the Group remain confident of securing a project partner and the work streams to date are considered to have demonstrated the project feasibility.

(iii) Non-current asset held for sale classification

The power assets were reclassified as non-current assets held for sale as detailed in note 6 during 2016. Whilst exclusive discussions with Shanghai Electric Power Co., Ltd ("SEP") regarding its Joint Development Agreement ("JDA") ended in May 2017 the criteria for classification as non-current assets held for sale were considered to be met at 31 December 2016.

(iv) Impairment of power project assets classified as non-current asset held for sale

The power project assets are held at the lower of cost and fair value less cost to sell (note 6). The recoverability of the amounts shown in the consolidated statement of financial position in relation to power project assets are dependent upon the successful completion of a power purchase off take agreement, the political, economic and legislative stability of the region in which the plant is to operate, the Group's ability to obtain the necessary financing to fulfil its obligations as they arise and the future profitable electricity production or proceeds from the disposal of properties. In assessing the carrying value of the power assets at 31 December 2016 the Board considered the net present value indicated by the economic model for the power project, together with the proposed contribution by SEP of up to US$25.5m to fund development through to financial close under the JDA in return for a 60% interest in the power assets. The economic model and the proposed transaction demonstrated substantial headroom above carrying value.

Accounting estimates

(i) Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. Refer to note 11 for details.

(ii) Reversal of accruals
In 2015, Management assessed the appropriateness of the level of accruals based on information available. US$656,000 of accruals were released in respect of historic project costs following Management's assessment based on factors such as the status of agreements, the passage of time and communication with counterparties. The potential for payment of the accruals is determined to be remote.

3. Administrative expenses

	2016 US$'000	2015 US$'000
Staff costs	**581**	1,005
Professional and consultancy	**1,201**	903
Office expenses	**128**	312
Travel and accommodation	**253**	197
Other expenses	**176**	290
Foreign exchange	**16**	24
Other administrative expenses	**2,356**	2,731
Reversal of accrual (Note 10)	**-**	(656)
Share-based payments	**-**	42
Total administrative expenses	**2,356**	2,117

Auditors' remuneration

	2016 US$'000	2015 US$'000
Group auditors' remuneration		
- audit of the Group's accounts	**40**	48
- audit of the Group's subsidiaries	**15**	22
Other services		
- other non-audit services	**-**	23
- interim review	**12**	13
	67	106

Auditors' remuneration is included within professional and consultancy costs.

Staff costs (including Directors)

	2016	2015
	US$'000	US$'000
Wages and salaries	**694**	1,148
Share based payments	**-**	42
Social security costs	**6**	22
	700	1,212

US$119,000 (2015: US$165,000) included within wages and salaries have been capitalised to the power project asset.

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

	2016	2015
	Number	Number
Operational	**8**	11
Administration	**5**	9
	13	20

Key management compensation:

	2016	2015
	US$'000	US$'000
Salary	**385**	455
Fees	**121**	123
Social security costs	**6**	12
	512	590
Other short-term Benefits	**-**	5
Termination benefits	**-**	86
Post-employment benefits	**-**	109
Share based payments	**-**	34
	512	824

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

4. Taxation

The Group entities subject to corporate income tax are Ncondezi Coal Company Mozambique Limitada which is subject to tax at the rate of 32% (2015: 32%) on its profits in Mozambique and Ncondezi Services (UK) Limited which was subject to tax rate of 20.25% on its profits in the UK in 2015 No tax charge/ (credit) arose in the current or prior year for Ncondezi Coal Company Mozambique Limitada.

Tax refundable for 2016 has been estimated at US$57,635 and has been reconciled to the expected tax charge based on the Group losses at the standard rate of taxation in Mozambique as follows:

	2016 US$'000	2015 US$'000
Current tax – UK corporation tax	**(58)**	(17)
Group loss on ordinary activities before tax	**(3,004)**	(2,134)
Effects of:		
Reconcile to Mozambique corporation tax rate of 32% (2015: UK corporation tax rate of 20.25%)	**(962)**	(432)
Differences arising from different tax rates	**862**	13
Non-deductible expenses	**-**	2,853
Under/over provision from previous period	**(58)**	-
Foreign exchange effect originating in overseas companies	**(229)**	(2,644)
Unrecognised taxable losses carried forward	**329**	193
Total tax for the year	**(58)**	(17)

During the exploration and development stages, the Group will accumulate tax losses which may be carried forward. As at 31 December 2016, no deferred tax asset has been recognised for tax losses of US$7,867,000 (2015: USD$8,369,000) 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$1,129,000 will be available until 31 December 2021, US$760,000 will be available until 31 December 2020, US$1,269,000 will be available until 31 December 2019, US$1,834,000 will be available until 31 December 2018, and US$2,000,000 will be available until 31 December 2017.

5. Loss per share

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

Due to the losses incurred during the year a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share. Out of 13,550,000 share incentives outstanding at the end of the year 11,225,000 (2015: 11,675,000) had already vested, which if exercised could potentially dilute basic earnings per share in the future.

		2016			2015	
	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	**(2,946)**	**250,075**	**(1.2)**	(2,117)	249,415	(0.8)

6. Property, plant and equipment

	Power assets US$'000	Mining assets US$'000	Buildings US$'000	Plant and equipment US$'000	Other US$'000	Total US$'000
Cost (less impairment)						
At 1 January 2015	**8,201**	**7,617**	**1,736**	**447**	**718**	**18,719**
Additions	939	21	-	-	-	960
Disposals	-	-	-	-	-	-
At 1 January 2016	**9,140**	**7,638**	**1,736**	**447**	**718**	**19,679**
Additions	249	13				262
Disposals	-	-	-	(1)	-	(1)
Transfer to held for sale	(9,389)	-	-	-	-	(9,389)
At 31 December 2016	**-**	**7,651**	**1,736**	**446**	**718**	**10,551**
Depreciation						
At 1 January 2015	**-**	**-**	**286**	**269**	**700**	**1,255**
Depreciation charge	-	-	73	84	18	175
At 1 January 2016	**-**	**-**	**359**	**353**	**718**	**1,430**
Depreciation charge	-	-	73	53	-	126
Disposals	-	-	-	-	-	-
At 31 December 2016	**-**	**-**	**432**	**406**	**718**	**1,556**
Net Book value 2016	**-**	**7,651**	**1,304**	**40**	**-**	**8,995**
Net Book value 2015	9,140	7,638	1,377	94	-	18,249

Power assets relate to the development of a 300MW power plant. In 2016 the power assets have been reclassified to non-current assets held for sale as detailed below. Mine assets relate to the initial acquisition of the licences and subsequent expenditure incurred in evaluating the Ncondezi mine project. These were transferred from intangible assets on receipt of the mining concession in 2013.

The mine assets are stated net of an impairment of US$32m recorded in 2014 which is considered to remain appropriate based on the impairment test at 31 December 2016. The carrying value for the coal mining asset has been assessed based on a value in use calculation using the economic model for the mine. The key estimates used in the value in use calculation are as follows:

- Coal price of US$1.81/kj being the transfer price at 1 Jan 2013 escalated thereafter.
- Capital costs of US$71.1m based on contractor quotations
- Discount rate - 10%
- Coal production of 1.4mt to meet the power assets requirements. The resource is supported by a JORC compliant resource estimate.
- Life of the coal asset (based on the conditional EDM deal) – 25 years
- Inflation rates have been calculated based on a mixed basket of inflation rates in order to determine appropriate escalation factors. The baskets includes Mozambique CPIX, PPI and PPI for imported products, the DME petroleum index, Mozambique wage inflation and US PPI.

The impairment is sensitive to changes in the discount rate with a 1% increase in the discount rate increasing impairment by US$3.8m. The coal price payable by the power station to the mine is consistent with the 'in principle' tariff with EDM and in the event of changes to operating inputs the pricing mechanism is revised to maintain the return on equity of the asset.

Asset classified as held for sale

The Group entered an agreement to develop the power assets in the year, subject to conditions precedent being satisfied, under which the Group would contribute a 60% effective interest in the Group's power assets and Shanghai Electric Power Co., Ltd ("SEP") would contribute with funding of development costs to financial close up to US$25.5m. Subsequent to completion, SEP would hold a controlling interest in the power assets and the Group would retain a 40% non-controlling interest with appropriate minority protection rights.

Under IFRS 5, such a transaction meets the 'Non-current asset held for sale' when the transaction is considered sufficiently probable and other relevant criteria are met. The Board consider the progress of the transaction in the period to be such that the reclassification criteria were met at 31 December 2016 as detailed in market announcements during the year and in early 2017.

Whilst the progression of the transaction during 2016 was such that the classification criteria for 'non-current assets held for sale' were met at year end, the Board notes that subsequently in May 2017 the Group ended its exclusive discussions with SEP under the Joint Development Agreement which represented a non-adjusting subsequent event.

The assets reclassified total US$9.4m from PPE held at net book value which is below fair value less cost to sell. There was no gain or loss associated with the reclassification. The assets are included in the 'power project' segment in note 15.

7. Subsidiaries

The Group has the following subsidiary undertakings:

		% interest 2016	% interest 2015	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 Services (UK) Limited	'NSUL'	-	100	UK	Service Company
Ncondezi Power Holdings Limited	'NPHL'	100	100	Mauritius	Holding company
Ncondezi Power Holdings 2 Limited	'NPH2L'	100	100	UAE	Holding company
Ncondezi Power Company SA	'NPCSA'	100	100	Mozambique	Energy company
Ncondezi Power Mozambique Limitada	'NPML'	100	100	Mozambique	Energy company

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

Ncondezi Services (UK) Limited was dissolved during the year.

8. Trade and other receivables

	2016 US$'000	2015 US$'000
Current assets:		
Other receivables	**88**	104
Total trade and other receivables	**88**	104

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

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

9. Cash and cash equivalents

	2016 **US$'000**	2015 US$'000
Cash at bank and in hand	**152**	402
	152	402

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

	2016 **US$'000**	2015 US$'000
US Dollars	**104**	326
Great British Pounds	**25**	56
South African Rand	**-**	12
Mozambique Meticais	**23**	8
	152	402

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

10. Trade and other payables

	2016 **US$'000**	2015 US$'000
Other payables	**220**	202
Other taxation and social security	**2**	4
Accruals	**983**	349
	1,205	555

Accruals includes US$0.6m (2015: Nil) of interest in respect of the loans in note 11. The fair value of payables is not significantly different from their carrying value. Refer to note 2 for details of reversal of accruals in 2015.

11. Short term loan

	31 December 2016 Audited US$'000	31 December 2015 Audited US$'000
Short term loan (unsecured)	**2,193**	-
Unamortised related costs	**(24)**	-
Total Short term loan	**2,169**	-

On 11 May 2016, the Group entered into a US$1.32m loan facility with certain of Ncondezi's Directors, Management and long term shareholders. On 31 August 2016, AFC acceded to the existing loan facility agreement, providing a facility of US$3.0m, with an initial tranche of US$1.0m ("Tranche A") and a further tranche of US$2.0m ("Tranche B") with Tranche B conditional amongst other things upon the fulfilment of certain conditions precedent, the completion of the JDA and Ncondezi providing an appropriate security package. US$2,192,545 of the Shareholder Loan (comprising of the existing Shareholder Loan of US$1.32m and Tranche A provided by AFC) was drawn down as at year end.
The repayment terms of the Shareholder Loan are as follows:

- if the JDA became effective before December 2016 the full drawn down amount is repayable on 10 May 2017 and a 0.5x multiple return on the drawn down amount is repayable 6 months from 10 May 2017

- if the JDA becomes effective after December 2016 the full drawn down amount and the 0.5x multiple return is repayable on 10 May 2017
- if the repayment occurs after 10 May 2017, then an additional return of 0.5x the total drawings is repayable in addition to the 1.5x multiple of the full drawn down amount

The repayment terms of the 'Tranche B' facility are as follows:

- repayment is due within 24 months of first drawdown.
- the total amount drawn down should be repaid at a 2.5x multiple (comprising 1.0x principal and 1.5x return).
- if repayment occurs after 24 months of first drawdown, the repayment multiple increases to 3.0x.
- a commitment fee of 0.35% per annum, or US$7,000 per annum, will be charged on the undrawn amount of Tranche B.

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

Interest charged for the year totalled US$648,000 (2015: US$18,000) with the amount in 2016 related to the loans above.

As at 31 December 2016, the additional 0.5x return which applied if the JDA became effective after 31 December 2016 and the loan was not repaid by 10 May 2017 represented a contingent liability as the additional obligation would only be triggered on 10 May 2017. Further, as at 31 December 2016 the Board anticipated that funds would be available through the SEP transaction to settle the liability by 10 May 2017. Owing to delays and ultimate cessation of exclusive discussions with SEP the payment was not made and the maturity date was extended as detailed in the subsequent events note 19.

12. Share capital

	2016	2015
Number of shares6		
Allotted, called up and fully paid		
Ordinary shares of no par value	**250,299,844**	249,849,844

	Shares Issued Number	**Share capital US$'000**
At 1 January 2016	**249,849,844**	86,557
Issue of shares (exercised share awards)	450,000	-
Issue costs	-	-
At 31 December 2016	250,299,844	86,557

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

13. Reserves

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

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

14. Share-based payments

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

Long term incentive plan and unapproved share option scheme

Exercise price per share	Grant date	Outstanding at start of year	Granted during the year	Lapsed/ cancelled during the year	Outstanding at year end	Final exercise date
2015						
Nil	27.05.10	2,400,000	-	-	2,400,000	26.05.20
25c	27.05.10	800,000	-	-	800,000	26.05.20
Nil	10.06.10	1,200,000	-	(1,200,000)	-	09.06.20
59p (90.7c)	19.01.12	225,000	-	(225,000)	-	25.08.15
30.5p (47.8c)	19.06.12	500,000	-	-	500,000	18.06.22
17.25p (26.3c)	26.04.13	4,600,000	-	-	4,600,000	25.04.23
Nil	31.01.14	2,250,000	-	-	2,250,000	30.06.20
6.5p (10.8c)	31.01.14	3,450,000	-	-	3,450,000	30.06.20
Total		**15,425,000**	**-**	**(1,425,000)**	**14,000,000**	
WAEP (cents)		**14.43**	**-**	**-**	**14.44**	

Exercise price per share	Grant date	Outstanding at start of year	Granted during the year	Exercised during the year	Outstanding at year end	Final exercise date
2016						
Nil	27.05.10	2,400,000	-	-	2,400,000	26.05.20
25c	27.05.10	800,000	-	-	800,000	26.05.20
30.5p (47.8c)	19.06.12	500,000	-	-	500,000	18.06.22
17.25p (26.3c)	26.04.13	4,600,000	-	-	4,600,000	25.04.23
Nil	31.01.14	2,250,000	-	(450,000)	1,800,000	30.06.20
6.5p (10.8c)	31.01.14	3,450,000	-	-	3,450,000	30.06.20
Total		**14,000,000**	**-**	**(450,000)**	**13,550,000**	
WAEP (cents)		**14.44**	**-**	**-**	**14.92**	

The Company's mid-market closing share price at 31 December 2016 was 5.3p (31 December 2015: 3.63p). The highest and lowest mid-market closing share prices during the year were 6.4p (2015: 5.5p) and 3.5p (2015: 1.63p) respectively.

During the year 450,000 share awards were exercised for nil consideration.

Of the total number of options outstanding at year end, 11,225,000 (2015: 11,675,000) had vested and were exercisable. The weighted average exercise price for the exercisable options at year end was 13.96p (2015: 15.16p).

The weighted average contractual life of the options outstanding at the year-end was six years (2015: seven years).

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:

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

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

Based on the above fair values, the expense arising from equity-settled share options made to employees and Directors was nil for the year (2015: US$41,961).

15. Segmental analysis

The Group has three reportable segments:

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

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

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

The segment results for the year ended 31 December 2016 are as follows:

Income statement	**Power project US$'000**	**Mine project US$'000**	**Corporate US$'000**	**Group US$'000**
For the year ended 31 December 2016				
Segment result before and after allocation of central costs	**168***	**(486)**	**(2,038)**	**(2,356)**
Finance expense	**(1)**	**(2)**	**(645)**	**(648)**
Finance income	**-**	**-**	**-**	**-**
Loss before taxation	**167**	**(488)**	**(2,683)**	**(3,004)**
Refund on Taxation	**-**	**-**	**58**	**58**
Loss for the year	**167**	**(488)**	**(2,625)**	**(2,946)**

*The gain includes the effect of gains on intercompany transactions with offsetting losses incurred in the corporate segment.

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

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

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

Income statement	**Power project US$'000**	**Mine project US$'000**	**Corporate US$'000**	**Group US$'000**
For the year ended 31 December 2016				
Depreciation charged to the income statement	**-**	**(124)**	**(2)**	**(126)**
Share based payments	**-**	**-**	**-**	**-**
Income tax credit	**-**	**-**	**58**	**58**

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

The segment assets and liabilities at 31 December 2016 and capital expenditure for the year then ended are as follows:

Statement of financial position	**Power project US$'000**	**Mine project US$'000**	**Corporate US$'000**	**Group US$'000**
At 31 December 2016				
Segment assets	**9,399**	**9,090**	**137**	**18,626**
Segment liabilities	**(209)**	**(36)**	**(3,129)**	**(3,374)**
Segment net assets	**9,190**	**9,054**	**(2,992)**	**15,252**
Property plant and equipment capital expenditure	**249**	**13**	**-**	**262**

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

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

16. 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:

	2016 US$'000	2015 US$'000
Loans and receivables at amortised cost		
Trade and other receivables	**33**	30
Cash and cash equivalents	**152**	402
Financial liabilities held at amortised cost		
Trade and other payables	**1,203**	551
Loans and borrowings	**2,169**	-

General objectives, policies and processes

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

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

Liquidity risk

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

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

Maturity analysis based on contractual terms

2016	**Total**	**on demand**	**in 1 month**	**Between 1 and 6 months**	**Between 6 and 12 months**	**Between 1 and 3 years**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Trade and other payables	**1,203**	**-**	**216**	**987**	**-**	**-**
Loans and borrowings	**2,193**	**-**	**-**	**2,193**	**-**	**-**

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

Loans and borrowings represent the loan principal whilst accrued interest to 31 December 2016 is included in trade and other payables. Refer to note 11. The Group endeavours to match the maturity of its current assets with its current liabilities to mitigate liquidity risk. Refer to note 1 for the material uncertainty regards going concern.

Borrowing facilities

The Group had no undrawn and unconditional committed borrowing facilities available at 31 December 2016 (2015: Nil). Refer to note 11 for the conditional Tranche B facilities.

Market risk

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

Currency risk

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

A 5% appreciation in the value of the US dollar against the Meticais, GB pounds and ZAR will decrease net assets by US$5,701 (2015: decreased net assets by US$1,044).

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

	2016				2015			
	US$'000 Assets/(liabilities) held				US$'000 Assets/(liabilities) held			
	GBP	**ZAR**	**MZN**	**Total**	GBP	ZAR	MZN	Total
US dollars	**(73)**	**-**	**42**	**(31)**	9	13	(9)	13
	(73)	**-**	**42**	**(31)**	9	13	(9)	13

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

17. 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 Shareholders Loan as at 31 December 2016 US$331,439 was drawn by a Trust of which Non-Executive Chairman, Michael Haworth, is a potential beneficiary. US$101,864 was drawn by Director, Chris Schutte, US$33,011 from Director, Estevão Pale. There was no 'Shareholders Loan' at 31 December 2015. Refer to note 11 for details of the terms and conditions.

Christiaan Schutte
During the year US$60,000 (2015: US$49,600) were paid to CPS Consulting in respect of services provided by Christiaan Schutte. There was no outstanding balance at 31 December 2016 (2015: Nil).

Details of Key Management Remuneration are contained in Note 3.
There is no ultimate controlling party.

18. Commitments

Social development programme
In December 2012 a Memorandum of Understanding was signed with the Mozambican Ministry of Mineral Resources and Energy in respect of a Social Development Programme, with a committed spend of US$2m following an agreed programme. By December 2016 half of this budget has been successfully spent in various initiatives. During the year US$ 21,180 (2015: US$28,881) was spent as part of this programme. Further to an Addendum, the program was postponed to be completed during the mining phase. In addition, upon receiving the mining concession a further US$5m was committed. The expenditure programme is still to be negotiated with the Ministry of Mineral Resources and Energy.

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

EMEM 5% investment in NCCML
Along with the issuance of the Mining Concession, Ncondezi's local subsidiary NCCML also concluded an Addendum to Mine Framework Agreement ("MFA") with Mozambican Ministry of Mineral Resources and Energy. Under the terms of the Addendum to the MFA, it has been agreed that the Government owned Mozambican Mining Exploration Company ("EMEM") will be granted a 5% free carry in the share capital of NCCML up to the start of the Ncondezi mine's construction. However, from the

commencement of construction EMEM will be required to pay, through an agreed funding mechanism, for its share of any future equity funding obligations that may be required from the shareholders of NCCML including its share of the construction and commissioning costs of bringing the Ncondezi mine into commercial operation.

19. Events after the reporting date

SEP transaction update

On 26 May 2017 the Company announced that it had suspended exclusive discussions with Shanghai Electric Power Co., Ltd ("SEP") regarding its Joint Development Agreement ("JDA"). Exclusivity arrangements with SEP have lapsed and the Company is now engaging with additional strategic partners who have expressed an unsolicited interest in developing the project alongside the Company. As at 31 December 2016 the power assets were classified as non-current assets held for sale based on the JDA and its progress at that date. Accordingly, the asset will be reclassified to property, plant and equipment.

Extension of Tranche A loans (note 11)

On 11 May 2017 the Company announced that agreement has been reached to extend the Shareholder Loan repayment date (comprising the existing Shareholder Loan and Tranche A provided by AFC). The Company has been able to agree an amendment to the repayment terms, with repayment now due on 2 September 2017. All other terms of the Shareholder Loan remain the same.

Loans

On 23 of June 2017 the Company entered into an amendment ("New Loan") to the original Shareholders Loan with an additional funding of US$350,000. The financing has been committed by the Chairman Michael Haworth (US$200,000) and other existing long term shareholders (US$150,000). The New Loan will receive a 1.25x return at its maturity on 2 September 2017.

As part of this same amendment the senior management team of the Company have agreed to convert their deferred 50% salary between November 2016 and January 2017, and 100% of their salary since February 2017 into the existing Shareholder Loan. The total amount is US$232,000, but this sum will not attract any interest and matures on 2 September 2017.

This provides the Company with more time to progress the project and new Strategic Partner search and better develop loan repayment options.

Company Information

Directors	Michael Haworth (Non-Executive Chairman) Christiaan Schutte (Executive Director) Estevão Pale (Non-Executive Director) Jacek Glowacki (Non-Executive Director) Aman Sachdeva (Non-Executive Director)
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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
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