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# NEWS RELEASE

## Interim Results for the six months ended 30 June 2013

9 August 2013: Ncondezi Energy Limited (formerly Ncondezi Coal Company Limited) ("Ncondezi" or the “Company”) (AIM: NCCL) announces its interim results for the six months ended 30 June 2013.

**Highlights:**

- Power Framework Agreement signed with Ministry of Energy providing formal endorsement of the Ncondezi Project by the Mozambican Government
- EPC pre-selection process completed
- Power Purchase Agreement negotiations commenced
- Heads of Terms negotiations regarding ownership and transmission underway
- Route to market has been determined
- Water and limestone optimisation studies completed
- Mine and Power ESIAs completed and submitted to Ministry for Coordination of Environmental Action
- Transmission ESIA on track for completion by Q4 2013

**Corporate highlights**

- Board strengthened with appointments of Christiaan Schutte and Peter O’Connor, former senior executives at Eskom, as Non-Executive Directors
- Paul Venter appointed Chief Executive Officer and Executive Director
- New strategic shareholder, Kulczyk Investments SA, with a 9% direct interest
- Cash balance US$6.6 million, as at 30 June 2013

| | **6 months to 30 June 2013 US$’000** | 6 months to 30 June 2012 US$’000 |
|---|---|---|
| Loss for the period | **(3,816)** | **(4,476)** |
| Loss per share – cents | **(3.2)** | **(3.7)** |
| Cash at bank | **6,644** | **22,747** |

**Post Reporting Period highlights:**

- Ncondezi transitioning into a Power Development Company with name change to Ncondezi Energy Limited approved by shareholders at the 2013 Annual General Meeting

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**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 and first production is planned for 2017. The first 300MW phase is targeting domestic consumption in Mozambique using existing transmission capacity to meet current demand.

## Chief Executive Officer's Statement

The first half of 2013 has been very productive for Ncondezi as it advances the development of its 300 mega watt ("MW") integrated thermal coal power plant and mine (the "Ncondezi Project" or "300MW Project"), near Tete in Northern Mozambique.

The Company achieved a key project milestone in April 2013 with the signing of the Power Framework Agreement ("PFA") with the Ministry of Energy. This is formal endorsement of the Ncondezi Project by the Mozambican Government and provides an exclusive platform from which to negotiate the key commercial, financial, legal and local participation parameters of the project, within an agreed timeframe of 365 days, ahead of finalising project funding next year.

Furthermore the PFA confirms the Mozambican Government's commitment to supporting the development of the Ncondezi Project and underlines the importance of the project as part of the Government's overall strategy to encourage direct long-term foreign investment in independent power generation. Mozambique is strategically well positioned, with existing transmission infrastructure, to meet the shortfalls in energy supply domestically and in the broader Southern African Power Pool, especially South Africa, Zimbabwe, Botswana, Malawi and Namibia. As one of the largest generators and exporters of electricity in sub-Saharan Africa, the Mozambique Government is keen to capitalise on its potential as a net exporter of electricity to other countries within the Southern African Development Community.

With the PFA signed, Ncondezi commenced formal, exclusive negotiations with Electricidade de Mozambique ("EdM"), the state owned power utility company, to conclude a Power Purchase Agreement ("PPA"). Unlike other coal projects in the area that are considering power generation, the Ncondezi Project will be solely dedicated to providing electricity to the domestic market. This offers Ncondezi a competitive advantage as demand for power in Northern Mozambique is very high, due to a number of industrial projects being developed in the region, such as the Port of Ncala.

Negotiations with EdM have been progressing well to date and the Company is targeting Q4 2013 for PPA Heads of Terms to be signed, as well as the other key commercial agreements, such as the transmission line and coal supply agreements also by Q4 2013.

The search for an engineering, procurement and construction ("EPC") firm to provide a turn-key contract to build the power plant also commenced during the first of half of this year. The pre-selection process has now been concluded. 15 firms have submitted proposals with funding arrangements; many, I am pleased to say, are large, well known multinationals, which reinforces the exciting power generation opportunity in Mozambique.

The indicative bids and associated funding proposals are being reviewed internally prior to a short list of up to seven preferred bidders being chosen. These preferred bidders will then be requested to submit detailed, binding bids by year end as the capital cost estimates will form part of the PPA tariff negotiations.

Turning to the mine, following the publication of the Mine DFS in December 2012 which contemplated a large scale mine producing both export and domestic grade products, the focus has been on optimising the development of a smaller open pit mining operation. A 300MW power plant only requires approximately 1.2 million tonnes per annum ("Mtpa") of domestic grade thermal coal feedstock.

The team has identified the South Pit as the first deposit that will be mined and detailed mine layout and scheduling are being prepared. These results are being incorporated into the mine financial model and the project capital expenditure estimate. A revised estimate for the integrated 300MW Project will be announced by Q4 2013.

The Company's mine and power plant environmental social impact assessments ("ESIA") have been completed and submitted for approval. The transmission line ESIA is due for completion by Q4 2013.

Strong relationships with key stakeholders are critical to the long term success of the Ncondezi Project. Alongside its extensive contact with Government ministries and agencies at the national level, Ncondezi has worked hard to establish a reputation as a good corporate citizen locally. I am pleased to report that the Social Development Plan (SDP"), which is currently being implemented, is an excellent example of how effective public private partnership can improve the daily lives of the local communities surrounding the Project. This year the emphasis is on healthcare, with the rehabilitation of a local clinic and maternity ward, and skills. A small scale agricultural learning centre has been established where basic skills, such as brick laying, carpentry, painting and plastering, will be taught.

Looking ahead to the second half of this year, the focus will be on finalising and signing the Heads of Terms on the key commercial agreements, receiving the Mining Concession, completing the drilling programme, finalising the EPC selection process, and appointing a project adviser to commence work on the project funding.

Paul Venter
Chief Executive Officer

## Operational and Financial Review

Ncondezi holds 100% of the 804L and 805L licences in the Tete Province of Mozambique. The Company has discovered a large, long life, thermal coal deposit on these licences and is targeting, through phased development, an integrated mine and coal fired power station with a 25 year life of operation.

The Company completed Power and Mine Definitive Feasibility Studies ("DFS") during the second half of 2012, following which a decision was made to focus solely on the development of a 300MW integrated mine and power plant, which will use existing transmission capacity to meet local demand in the North of Mozambique. Production of an export thermal coal product and associated capital expenditure will be initiated only when rail and port infrastructure in Mozambique has sufficiently advanced.

**Mine Development**

During the first half of 2013, the focus was largely on the development of an open pit mine layout capable of supplying a 300MW mine mouth power station with 1.2Mtpa of domestic grade feedstock.

The planned open pit mine is located within Ncondezi's South Block concession, and as such has been termed the South Pit. This designated mining block was chosen due to the proximity of the coal to surface resulting in favourable strip ratios, as well as higher yielding coal than some of the adjacent areas. At present, the target product for the power plant is a 16 – 17 MJ/kg (NAR) domestic grade thermal coal product. This option is currently being optimised by external consultants.

Ncondezi is currently in the process of drilling 33 fully cored holes within the designated South Pit in order to bring the entire mining area to a measured status, in line with both JORC and SAMREC guidelines. A rigorous sample programme has been implemented, whereby all coal seams will be analysed in order to confirm how the coal will behave in both the processing plant and boiler. All work will be overseen and signed off by an independent competent person. The drilling is due for completion before the end of Q4 2013.

The Company is also optimising the mine capital expenditure estimate, following the results of the mine design and mine scheduling. The revised capital expenditure estimate is being incorporated into the overall project cost and a revised, integrated mine and power plant project capital expenditure estimate is anticipated to be published by Q4 2013.

The Company also presented the Ncondezi Mine Project to an Inter-Ministerial Commission in April 2013, which was favourably received by the Mozambique Government.

**Power Framework Agreement**

The PFA was signed in April 2013 between Ncondezi and the Ministry of Energy. The PFA sets out the agreed pathway, timeline and requisite Government and Developer Milestones that need to be reached prior to Project Financial Close for Ncondezi to become eligible for the award of a formal Power Concession.

The PFA will become effective upon the fulfilment, or waiver by Ncondezi in its discretion, of a number of conditions precedent ("CPs") within 365 days of the PFA's signature. The CPs include: (i) the conclusion of heads of terms with credible off-takers for all or part the Project's power generation; (ii) the conclusion of heads of terms with the Government of Mozambique and applicable government bodies on the local and foreign strategic shareholding in the project; (iii) a commercially bankable tax incentive structure and (iv) transmission arrangements. Negotiations have started on the CPs and Ncondezi anticipates meeting all these conditions precedent within the agreed timeframe. The Company is targeting key Heads of Terms on the commercial aspects of the Project to be completed by Q4 2013.

The PFA is also a legal pre-requisite to the initiation of exclusive power off-take discussions with potential off-takers, including EdM, the state owned power utility company, for the conclusion of a PPA. Formal negotiations with EdM are now underway.

**Power Plant Development**

***EPC Selection Process***

Ncondezi also began its search for the EPC firm that will build the 300MW Project. STEAG Energy Services GmbH ("STEAG"), a subsidiary of one of Germany's largest electricity producers, was appointed to conduct the EPC pre-selection process.

The EPC's project capital expenditure binding quote will form part of the PPA as it will impact the tariff rate negotiated with EdM. Over 15 EPC firms from around the world submitted indicative capital expenditure estimates and funding proposals.

These indicative proposals are currently being evaluated, after which Ncondezi and STEAG will select a short list of preferred EPC bidders who will be invited to submit binding, detailed bids during H2 2013. The binding bids will play a key role in completing the PPA negotiations and project funding.

***Route to Market***

Following the identification of a power evacuation route, an aerial surveillance was conducted. The route to market has since been confirmed and an ESIA is underway. The power plant is located a short distance from a main substation on the Northern Grid, approximately 90kms away. Ncondezi is planning to build the transmission line under a build, operate and transfer ("BOT") scheme. A study conducted for Ncondezi by an independent consultant in the second half of 2012 confirmed that Mozambican energy consumption forecast to increase by 1200MW between 2012 and 2020 (Source: Transmission Grid Consulting).

***Water Optimisation***

Following the completion of a hydrological study in 2012 which confirmed the availability of water in the area, a water optimisation study was commissioned to consider the available options and most cost effective solution to supply the power plant over the long term. The study is being undertaken by Entura Hydro Tasmania, one of Australia's most experienced energy and water consultants and was finalised in June 2013. It is now under internal review.

***Limestone Optimisation***

A limestone optimisation study was completed in May 2013 and confirmed the availability of a number of limestone deposits both locally and regionally. A short list of three local and three regional deposits are being investigated in more detail to determine favourable commercial terms.

**Social & Environmental**

The mine and power plant ESIAs have been completed and submitted to the Ministry for Coordination of Environmental Action ("MICOA") for approval. The Mine ESIA was undertaken by international consultants, ERM, and a local Mozambican group, Impacto. Prior to submission to MICOA, a series of final public hearings were held in June 2013 in both Tete and Moatise. The Power ESIA has been undertaken by Parsons Brinkerhoff, the authors of the Power DFS and Impacto. No fatal flaws in either the Mine or Power ESIA have been identified.

The transmission line ESIA is being undertaken by Parsons Brinkerhoff and Consultec, a local Mozambican company. First public consultations have taken place and the final report is expected to be submitted by Q4 2013.

The Social Development Programme continued to be implemented during the first half of 2013. The aim of this programme is to assist and promote sustainable development with stakeholders in Mozambique. This is in line with the national poverty reduction and population upliftment strategy.

For the period under review, the following projects were implemented:

- Four new water boreholes were delivered to the local community, bringing the total to date provided by Ncondezi to 14
- One brand new fully equipped ambulance
- Rehabilitation of Mameme Clinic and Maternity is underway and due for completion by September 2013
- A small scale agricultural learning centre has been established and the first students are due to begin formal courses in August 2013
- Two of the four Company sponsored students have just finished their Masters in Geological and Mining Engineering in Portugal.
- The total cost of these activities was US$78,000.

**Corporate**

The Company's transition to a power development company was recently completed following shareholders' approval to change the Company's name to Ncondezi Energy Limited, which became effective on 30 July 2013.

The Board has also been strengthened with the requisite power experience with the appointment of Christiaan Schutte and Peter O'Connor, former senior managers at Eskom, as Non-Executive Directors in February 2013. They both have over twenty years of experience in the power generation business, having held a number of senior executive positions at Eskom, the South African electricity public utility which is the largest producer of electricity in Africa.

The Company also welcomed a new strategic investor, Kulczyk Investments SA, which holds a 9.2% direct interest. Kulczyk Investments S.A. is an international investment company, focused on investment opportunities in global emerging markets. The Company's chosen strategic industries are energy, mineral resources, infrastructure and real estate.

## Financial overview

**Results from operations**

The Group made a loss after tax for the year of US$3.8m compared to a loss of US$4.5m for the previous interim period. The basic loss per share for the year was 3.2 cents (2012 H1: 3.7 cents).

Administrative expenses totalled US$3.8m (2012 H1: US$4.5m). This included a share based payments charge of US$0.2m (2012 H1: US$0.9m).

**Cash Flows**

The net cash outflow from operating activities for the year was US$3.9m (2012 H1: US$2.9m).

The resulting period end cash and cash equivalents held totalled US$6.6m (2012 H1: US$22.7m) of which

US$0.4m (2012 H1: US$0.4) was restricted use cash relating to a bank guarantee provided on the Group's corporate offices in London.

**Outlook**

The Directors have reviewed future cash forecasts, with particular reference to minimum expenditure requirements on licences and the intended work programme for the 300MW Project for 2013, which is focused on advancing negotiations on the key commercial agreements, including signed Heads of Terms by year end.

The Group has sufficient funding to finance its activities through to Q1 2014. The Company is in negotiations with a number of parties in respect of raising further funds to continue with the power plant development programme. Whilst progress is being made on a number of potential transactions that would provide additional financing, at present there are no binding agreements in place.

Based on the current progress of negotiations with potential providers of finance and discussions with potential investors, the Directors believe that the necessary funds to provide adequate financing to continue the power plant development programme can be raised as required. Accordingly they are confident that the Group will continue as a going concern and have prepared the financial statements on that basis.

## Independent review report to Ncondezi Coal Company Limited

**Introduction**
We have been engaged by the Company to review the financial statements in the half-yearly report for the six months ended 30 June 2013 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes.

We have read the other information contained in the half-yearly financial reportand considered whether it contains any apparent misstatements or material inconsistencies with the information in the half-yearly financial statements.

**Directors' responsibilities**
The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

**Our responsibility**
Our responsibility is to express to the Company a conclusion on the set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

**Scope of review**
We conducted our review in accordance with International Standard on Review Engagements 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

**Emphasis of matter – going concern**

In forming our review conclusion, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern which is dependent on the Group's ability to raise further funds through debt or new equity placing. The

Directors believe that the Group will secure the necessary funds. While the Directors are continuing funding negotiations with certain third parties there are currently no binding agreements in place. These conditions together with the other matters referred to in note 1 indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

*BDO LLP*
*Chartered Accountants and Registered Auditors*
*London*
*United Kingdom*
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Consolidated income statement
**for the six months ended 30 June 2013**

| | Note | **6 months ended 30 June 2013 Unaudited US$'000** | 6 months ended 30 June 2012 Unaudited US$'000 | Year ended 31 December 2012 Audited US$'000 |
|---|---|---|---|---|
| Other administrative expenses | 2 | **(3,573)** | (3,590) | (7,398) |
| Research expenses | 2 | **-** | - | 97 |
| Share-based payments charge | 2 | **(211)** | (864) | (1,292) |
| **Total administrative expenses and loss from operations** | | **(3,784)** | (4,454) | (8,593) |
| Finance income | | **30** | 31 | 88 |
| Finance expense | | **(20)** | (20) | (45) |
| **Loss for the period before taxation** | | **(3,774)** | (4,443) | (8,550) |
| Taxation | | **(42)** | (33) | (55) |
| **Loss for the period attributable to equity shareholders of the parent company** | | **(3,816)** | (4,476) | (8,605) |
| Loss per share expressed in cents | | | | |
| Basic and diluted | 3 | **(3.2)** | (3.7) | (7.1) |

## Consolidated statement of comprehensive income
**for the six months ended 30 June 2013**

| | **6 months ended 30 June 2013 Unaudited US$'000** | 6 months ended 30 June 2012 Unaudited US$'000 | Year ended 31 December 2012 Audited US$'000 |
|---|---|---|---|
| **Loss after taxation** | **(3,816)** | (4,476) | (8,605) |
| Other comprehensive income: | | | |
| Exchange differences on translating foreign operations | **(35)** | (1) | 20 |
| Total comprehensive income for the period | **(3,851)** | (4,477) | (8,585) |

## Consolidated statement of financial position
**at 30 June 2013**

| | Note | **30 June 2013 Unaudited US$'000** | 30 June 2012 Unaudited US$'000 | 31 December 2012 Audited US$'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 4 | **40,416** | 34,116 | 39,081 |
| Property, plant and equipment | | **2,116** | 2,498 | 2,328 |
| Financial assets | | **395** | - | - |
| **Total non-current assets** | | **42,927** | 36,614 | 41,409 |
| **Current assets** | | | | |
| Inventory | | **12** | - | 26 |
| Trade and other receivables | | **3,090** | 3,022 | 3,030 |
| Cash and cash equivalents | | **6,249** | 22,747 | 12,008 |
| **Total current assets** | | **9,351** | 25,769 | 15,064 |
| **Total assets** | | **52,278** | 62,383 | 56,473 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Current tax payable | | **95** | 116 | 56 |
| Trade and other payables | | **2,037** | 4,801 | 2,631 |
| **Total current liabilities** | | **2,132** | 4,917 | 2,687 |
| **Total liabilities** | | **2,132** | 4,917 | 2,687 |
| **Capital and reserves attributable to shareholders** | | | | |
| Share capital | 5 | **76,108** | 76,108 | 76,108 |
| Foreign currency translation reserve | | **9** | 23 | 44 |
| Retained earnings | | **(25,971)** | (18,665) | (22,366) |
| Total capital and reserves | | **50,146** | 57,466 | 53,786 |
| **Total equity and liabilities** | | **52,278** | 62,383 | 56,473 |

Approved on behalf of the Board on 8 August 2013

Paul Venter
Chief Executive Officer

## Consolidated statement of changes in equity

**for the six months ended 30 June 2013**

| | Share capital US$'000 | Foreign Currency Translation reserve US$'000 | Retained earnings US$'000 | Total US$'000 |
|---|---|---|---|---|
| **At 1 January 2013** | **76,108** | **44** | **(22,366)** | **53,786** |
| Loss for the period | **-** | **-** | **(3,816)** | **(3,816)** |
| Comprehensive income for the period | **-** | **(35)** | **-** | **(35)** |
| Equity settled share based payments | **-** | **-** | **211** | **211** |
| **At 30 June 2013 (Unaudited)** | **76,108** | **9** | **(25,971)** | **50,146** |

| | Share capital US$'000 | Foreign Currency Translation reserve US$'000 | Retained earnings US$'000 | Total US$'000 |
|---|---|---|---|---|
| At 1 January 2012 | 76,108 | 24 | (15,053) | 61,079 |
| Loss for the period | - | - | (4,476) | (4,476) |
| Comprehensive income for the period | - | (1) | - | (1) |
| Equity settled share based payments | - | - | 864 | 864 |
| At 30 June 2012 (Unaudited) | 76,108 | 23 | (18,665) | 57,466 |

| | Share capital US$'000 | Other reserves US$'000 | Foreign Currency Translation reserve US$'000 | Retained earnings US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| At 1 January 2012 | 76,108 | | 24 | (15,053) | 61,079 |
| Loss for the period | - | - | - | (8,605) | (8,605) |
| Other comprehensive income for the period | - | - | 20 | - | 20 |
| Equity settled share based payments | - | - | - | 1,292 | 1,292 |
| At 31 December 2012 (Audited) | 76,108 | - | 44 | (22,366) | 53,786 |

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## Consolidated statement of cash flows
**for the six months ended 30 June 2013**

| | **6 months to 30 June 2013 Unaudited US$'000** | 6 months to 30 June 2012 Unaudited US$'000 | Year ended 31 December 2012 Audited US$'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| (Loss) before taxation | **(3,774)** | (4,443) | (8,550) |
| Adjustments for: | | | |
| Finance income | **(30)** | (31) | (88) |
| Finance expense | **20** | 20 | 45 |
| Share based payments charge | **211** | 864 | 1,292 |
| Foreign exchange movements | **(43)** | (9) | 15 |
| Disposal of property plant and equipment | **30** | 9 | 7 |
| Depreciation and amortisation | **206** | 227 | 427 |
| **Net cash flow from operating activities before changes in working capital** | **(3,380)** | (3,363) | (6,852) |
| Decrease/(increase) in inventory | **14** | - | (26) |
| (Decrease)/increase in payables | **(585)** | 533 | (1,636) |
| (Increase) in receivables | **(60)** | (43) | (51) |
| **Net cash flow from operating activities before tax** | **(4,011)** | (2,873) | (8,565) |
| Income taxes paid | **-** | - | (80) |
| **Net cash flow from operating activities after tax** | **(4,011)** | (2,873) | (8,645) |
| **Investing activities** | | | |
| Payments for property, plant and equipment | **-** | (109) | (118) |
| Interest received | **30** | 31 | 88 |
| Exploration costs capitalised | **(1,363)** | (4,726) | (9,716) |
| Transfer to restricted cash | **(395)** | - | - |
| **Net cash flow from investing activities** | **(1,728)** | (4,804) | (9,746) |
| **Financing activities** | | | |
| Bank charges | **(20)** | (20) | (45) |
| **Net cash flow from financing activities** | **(20)** | (20) | (45) |
| **Net increase/(decrease) in cash and cash equivalents in the period** | **(5,759)** | (7,697) | (18,436) |
| Cash and cash equivalents at the beginning of the period | **12,008** | 30,444 | 30,444 |
| **Cash and cash equivalents at the end of the period** | **6,249** | 22,747 | 12,008 |

## Notes to the consolidated financial information

### 1. Basis of preparation

The consolidated interim financial statements have been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board ("IASB") as adopted for use in the EU. The consolidated interim financial statements have been prepared using the accounting policies which will be applied in the Group's financial statements for the year ended 31 December 2013.

The consolidated interim financial statements for the period 1 January 2013 to 30 June 2013 are unaudited and incorporate unaudited comparative figures for the interim period 1 January 2012 to 30 June 2012 and the audited financial statements for the year to 31 December 2012. It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2012 Annual Report.

The same accounting policies, presentation and methods of computation are followed in the consolidated financial statements as were applied in the Group's latest annual audited financial statements except that in the current financial year, the Group has adopted a number of revised Standards and Interpretations. However, none of these has had a material impact on the Group's reporting.

In addition, the IASB has issued a number of IFRS and IFRIC amendments or interpretations since the last annual report was published. It is not expected that any of these will have a material impact on the Group.

### Going Concern

In the absence of production revenues, the Group is dependent upon its existing cash resources and its ability to raise additional financing through equity raisings in order to progress with the development of the power plant.

The Group has sufficient funding to finance its activities through to Q1 2014. The Directors are in negotiations with a number of parties in respect of raising further funds to continue with the power plant development programme. Whilst progress is being made on a number of potential transactions that would provide additional financing, at present there are no binding agreements in place.

Should the Group be unable to raise the necessary finance, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the current progress of negotiations with potential providers of finance and discussions with potential investors, the Directors believe that the necessary funds to provide adequate financing to continue the power plant development programme will be raised as required. Accordingly they are confident that the Group will continue as a going concern and have prepared the financial statements on that basis.

These conditions indicate the existence of a material uncertainty that may cast significant doubt over 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 not able to continue as a going concern.

As at 30 June 2013 the Group's cash and cash equivalent stood at US$6.2m. The Group intends to operate within its cash resources.

## Notes to the consolidated financial information (continued)

### 2. Administrative expenses

| | 6 months to 30 June 2013 Unaudited US$'000 | 6 months to 30 June 2012 Unaudited US$'000 | Year ended 31 December 2012 Audited US$'000 |
|---|---|---|---|
| Staff costs | **1,562** | 1,433 | 2,712 |
| Professional and consultancy | **711** | 446 | 1,296 |
| Office expenses | **371** | 479 | 934 |
| Travel and accommodation | **230** | 389 | 682 |
| Other expenses | **472** | 1,003 | 1,455 |
| Foreign exchange loss/(gain) | **227** | (160) | 319 |
| **Other administrative expenses** | **3,573** | 3,590 | 7,398 |
| Research expenses* | **-** | - | (97) |
| Share-based payments | **211** | 864 | 1,292 |
| **Total administrative expenses** | **3,784** | 4,454 | 8,593 |

* The research expenses related to an infrastructure study in respect of logistics options available for transportation and export of coal reserves as well as other future projects.

### 3. Loss per share

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

Due to the losses incurred during the period a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share.

There were share incentives outstanding at the end of the period that could potentially dilute basic earnings per share in the future.

| | **Unaudited 30 June 2013** | | | Unaudited 30 June 2012 | | | Audited 31 December 2012 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **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) | Loss US$'000 | Weighted average number of shares (thousands) | Per share amount (cents) |
| **Basic and diluted EPS** | **(3,816)** | **121,116** | **(3.2)** | (4,476) | 121,116 | (3.7) | (8,605) | 121,116 | (7.1) |

## Notes to the consolidated financial information (continued)

### 4. Intangible assets

| | Exploration and evaluation costs US$'000 | Other intangible assets US$'000 | Total US$'000 |
|---|---|---|---|
| **Cost** | | | |
| **At 1 January 2013** | **39,024** | **154** | **39,178** |
| **Additions** | **1,363** | **-** | **1,363** |
| **Exchange adjustment** | **-** | **(4)** | **(4)** |
| **At 30 June 2013** | **40,387** | **150** | **40,537** |
| | | | |
| At 1 January 2012 | 28,459 | 149 | 28,608 |
| Additions | 5,576 | - | 5,576 |
| Exchange adjustment | - | 2 | 2 |
| At 30 June 2012 | 34,035 | 151 | 34,186 |
| | | | |
| At 1 January 2012 | 28,459 | 149 | 28,608 |
| Additions | 10,565 | - | 10,565 |
| Foreign exchange | - | 5 | 5 |
| At 31 December 2012 | 39,024 | 154 | 39,178 |
| | | | |
| **Amortisation** | | | |
| **At 1 January 2013** | **-** | **97** | **97** |
| **Amortisation charge** | **-** | **24** | **24** |
| **At 30 June 2013** | **-** | **121** | **121** |
| | | | |
| At 1 January 2012 | - | 45 | 45 |
| Amortisation | - | 52 | 52 |
| **At 31 December 2012** | - | 97 | 97 |
| | | | |
| **Net book value 30 June 2013** | **40,387** | **29** | **40,416** |
| Net book value 30 June 2012 | 34,035 | 81 | 34,116 |
| Net book value 31 December 2012 | 39,024 | 57 | 39,081 |

Exploration and evaluation costs relate to the initial acquisition of the licences and subsequent exploration expenditure incurred in evaluating the Ncondezi project.

## Notes to the consolidated financial information (continued)

### 5. Share capital

| Number of shares | **6 months to 30 June 2013 Unaudited** | 6 months to 30 June 2012 Unaudited | Year ended 31 December 2012 Audited |
|---|---|---|---|
| **Allotted, called up and fully paid** | | | |
| Ordinary shares of no par value | **121,115,682** | 121,115,682 | 121,115,682 |

| **Unaudited** | **Shares issued Number** | **Share capital US$'000** |
|---|---|---|
| **At 1 January 2013** | **121,115,682** | **76,108** |
| **At 30 June 2013** | **121,115,682** | **76,108** |

| Unaudited | Shares issued Number | Share capital US$'000 |
|---|---|---|
| At 1 January 2012 | 121,115,682 | 76,108 |
| At 30 June 2012 | 121,115,682 | 76,108 |

| Audited | Shares issued Number | Share capital US$'000 |
|---|---|---|
| At 1 January 2012 | 121,115,682 | 76,108 |
| At 31 December 2012 | 121,115,682 | 76,108 |

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## Notes to the consolidated financial information (continued)

### 6. Segmental analysis

The Group has three reportable segments:

- Mine - this segment is involved in the exploration and development of coal within the Group's licence areas in Mozambique
- Power – this segment is involved in the development of a coal fired power station within Mozambique
- Corporate - this segment comprises head office operations and the provision of services to Group companies

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

The segment results for the six months ended 30 June 2013 are as follows:

| **Income statement** | **Mine US$'000** | **Power US$'000** | **Corporate US$'000** | **Group US$'000** |
|---|---|---|---|---|
| **For the six months ended 30 June 2013 (unaudited)** | | | | |
| **Segment result before and after allocation of central costs** | **(1,043)** | **(128)** | **(2,613)** | **(3,784)** |
| **Finance expense** | **(9)** | **(1)** | **(10)** | **(20)** |
| **Finance income** | **-** | **1** | **29** | **30** |
| **Loss before taxation** | **(1,052)** | **(128)** | **(2,594)** | **(3,774)** |
| **Taxation** | **-** | **-** | **(42)** | **(42)** |
| **Loss for the year** | **(1,052)** | **(128)** | **(2,636)** | **(3,816)** |

| Income statement | Mine US$'000 | Power US$'000 | Corporate US$'000 | Group US$'000 |
|---|---|---|---|---|
| For the six months ended 30 June 2012 (unaudited) | | | | |
| Segment result before and after allocation of central costs | (1,197) | - | (3,257) | (4,454) |
| Finance expense | (7) | - | (13) | (20) |
| Finance income | - | - | 31 | 31 |
| Loss before taxation | (1,204) | - | (3,239) | (4,443) |
| Taxation | - | - | (33) | (33) |
| Loss for the year | (1,204) | - | (3,272) | (4,476) |

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## Notes to the consolidated financial information (continued)

### 6. Segmental analysis (continued)

The segment results for the year ended 31 December 2012 are as follows:

| Income statement | Mine US$'000 | Power US$'000 | Corporate US$'000 | Group US$'000 |
|---|---|---|---|---|
| For the year ended 31 December 2012 (audited) | | | | |
| Segment result before and after allocation of central costs | (2,663) | (50) | (5,880) | (8,593) |
| Finance expense | (18) | (1) | (26) | (45) |
| Finance income | - | 1 | 87 | 88 |
| Loss before taxation | (2,681) | (50) | (5,819) | (8,550) |
| Taxation | - | - | (55) | (55) |
| Loss for the year | (2,681) | (50) | (5,874) | (8,605) |

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

| **Income statement** | **Mine US$'000** | **Power US$'000** | **Corporate US$'000** | **Group US$'000** |
|---|---|---|---|---|
| **For the six months ended 30 June 2013 (unaudited)** | | | | |
| **Depreciation charged to the income statement** | **176** | **-** | **30** | **206** |
| **Share based payments** | **-** | **-** | **211** | **211** |
| **Income tax expense** | **-** | **-** | **(42)** | **(42)** |

| Income statement | Mine US$'000 | Power US$'000 | Corporate US$'000 | Group US$'000 |
|---|---|---|---|---|
| For the six months ended 30 June 2012 (unaudited) | | | | |
| Depreciation charged to the income statement | (192) | - | (35) | (227) |
| Share based payments | - | - | (864) | (864) |
| Income tax expense | - | - | (33) | (33) |

| Income statement | Mine US$'000 | Power US$'000 | Corporate US$'000 | Group US$'000 |
|---|---|---|---|---|
| For the year ended 31 December 2012 (audited) | | | | |
| Depreciation charged to the income statement | (356) | - | (71) | (427) |
| Share based payments | - | - | (1,292) | (1,292) |

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| | | | | |
|---|---|---|---|---|
| Income tax expense | - | - | (55) | (55) |

## Notes to the consolidated financial information (continued)

**6. Segmental analysis (continued)**

The segment assets and liabilities at 30 June 2013 and capital expenditure for the six months then ended are as follows:

| **Statement of financial position** | **Mine US$'000** | **Power US$'000** | **Corporate US$'000** | **Group US$'000** |
|---|---|---|---|---|
| **At 30 June 2013 (unaudited)** | | | | |
| **Segment assets** | **40,461** | **1,898** | **9,919** | **52,278** |
| **Segment liabilities** | **528** | **295** | **1,309** | **2,132** |
| **Segment net assets/(liabilities)** | **39,933** | **1,603** | **8,610** | **50,146** |
| **Property plant and equipment capital expenditure** | **-** | **-** | **-** | **-** |
| **Exploration capital expenditure** | **923** | **440** | **-** | **1,363** |

The segment assets and liabilities at 30 June 2012 and capital expenditure for the six months then ended are as follows:

| Statement of financial position | Mine US$'000 | Power US$'000 | Corporate US$'000 | Group US$'000 |
|---|---|---|---|---|
| At 30 June 2012 (unaudited) | | | | |
| Segment assets | 37,844 | - | 24,539 | 62,383 |
| Segment liabilities | (3,277) | - | (1,640) | (4,917) |
| Segment net assets/(liabilities) | 34,567 | - | 22,899 | 57,466 |
| Property plant and equipment capital expenditure | 109 | - | - | 109 |
| Exploration capital expenditure | 5,576 | - | - | 5,576 |

The segment assets and liabilities at 31 December 2012 and capital expenditure for the year then ended are as follows:

| Statement of financial position | Mine US$'000 | Power US$'000 | Corporate US$'000 | Group US$'000 |
|---|---|---|---|---|
| At 31 December 2012 (unaudited) | | | | |
| Segment assets | 39,488 | 1,612 | 15,373 | 56,473 |
| Segment liabilities | (2,080) | (151) | (456) | (2,687) |
| Segment net assets/(liabilities) | 37,408 | 1,461 | 14,917 | 53,786 |
| Property plant and equipment capital expenditure | 116 | - | 2 | 118 |
| Exploration capital expenditure | 8,323 | 2,242 | - | 10,565 |

## Notes to the consolidated financial information (continued)

### 8. Related party transactions

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

The nature of the related party relationships with whom the Group entered into transactions or had balances outstanding at 30 June 2013 and 30 June 2012 is determined by management as transactions where the Group has the ability to control the decisions taken by management of the related parties through the Group's shareholders. All companies were classified as ''other related parties'' according to requirements of IAS 24.

***Strata Limited ("Strata") - relationship agreement***
A relationship agreement dated 3 June 2010 ("Relationship Agreement") between the Company and Strata was executed to regulate the on-going relationship between the Company and Strata. The principal purpose of the Relationship Agreement is to ensure that the Company is capable of carrying on its business independently of Strata and its subsidiary undertakings ("Strata Group") and that transactions and relationships with the Strata Group are at arm's length and on normal commercial terms. The Relationship Agreement will continue for so long as the ordinary shares are admitted to trading on AIM and Strata owns or controls in aggregate 15 per cent or more of the issued shares or voting rights of the Company.

As at 30 June 2013 Strata held 44.82% of the Company (30 June 2012: 45.56%).

***Strata Capital UK LLP ("Strata Capital")***
The Company has a licence to occupy shared office in London with Strata Capital, a firm of which Michael Haworth is a partner. A total of US$1,524 (2012 H1: US$34,874) was charged in respect of rent and shared expenses. There was no outstanding balance at 30 June 2013 (2012 H1: US$15,163). This licence to occupy was terminated during the period.

In addition Strata Capital charged the Company US$68,806 (2012 H1: US$58,930) in respect of advisory services. There was US$38,040 outstanding at 30 June 2013 (2012 H1: US$29,210).

***Zanaga UK Services Limited ("Zanaga")***
The Company has a licence to occupy shared offices in London with Zanaga, a company of which Michael Haworth is also a director. A total of US$235,835 was charged in respect of rent and share expenses. There was US$133,871 outstanding at 30 June 2013 (2012 H1: US$62,496).

***MMDN Financial Services LLP ("MMDN")***
During the period MMDN a firm which Manish Kotecha, the Company's Chief Financial Officer, is a partner charged the Company US$2,224 (2012 H1: US$2,301) in respect of financial services. There was $740 outstanding at 30 June 2013 (2012 H1: US$Nil).

***Mines Value Management***
During the period US$39,252 (2012 H1: US$43,609) was paid to Mines Value Management, a company of which Nigel Sutherland is also a director, in respect of services provided by Nigel Sutherland to the Company. There was no outstanding balance at 30 June 2013 (2012 H1: US$5,181).

## Notes to the consolidated financial information (continued)

### 9. Events after the reporting period

There were no significant transactions after the reporting date.

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## Company details

| | |
|---|---|
| **Directors** | Michael Haworth (Non-Executive Chairman)<br>Paul Venter (Chief Executive Officer)<br>Christiaan Schutte (Non-Executive Director)<br>Peter O'Connor (Non-Executive Director)<br>Graham Mascall (Non-Executive Director)<br>Richard Stuart (Non-Executive Director)<br>Estevão Pale (Non-Executive Director)<br>Nigel Sutherland (Non-Executive Director)<br>Mark Trevan (Non-Executive Director) |
| **Company Secretary** | Elysium Fund Management Limited<br>PO Box 650, 1st Floor, Royal Chambers<br>St Julian's Avenue<br>St Peter Port<br>Guernsey<br>GY1 3JX |
| **Registered Office** | 2nd Floor<br>Wickham's Cay II<br>PO Box 2221<br>Road Town<br>Tortola<br>British Virgin Islands |
| **Company number** | 1019077 |
| **Nominated Advisor and Joint Broker** | Liberum Capital Limited<br>Ropemaker Place<br>Level 12<br>25 Ropemaker Street<br>London<br>EC2Y 9AR |
| **Joint Broker** | finnCap<br>60 New Broad Street<br>London<br>EC2M 1JJ |
| **Auditors** | BDO LLP<br>55 Baker Street<br>London<br>W1U 7EU |
| **Registrar** | Computershare Investor Services (BVI) Limited<br>Woodbourne Hall<br>PO Box 3162<br>Road Town<br>Tortola<br>British Virgin Islands |

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|---|---|
| **Legal advisor to the Company as to BVI law** | Ogier LLP<br>41 Lothbury<br>London<br>EC2R 7HF |
| **Legal advisor to the Company as to English law** | Berwin Leighton Paisner LLP<br>Adelaide House<br>London Bridge<br>London<br>EC4R 9HA |