30 September, 2011

Ncondezi Coal Company Limited

("Ncondezi" or the "Company")

Interim Results for the six months ended 30 June 2011

Ncondezi Coal Company Limited (AIM: NCCL), a coal exploration and development company with coal assets in the Tete Province in Mozambique, announces its interim results for the six months ended 30 June 2011.

Highlights:

- Definitive Feasibility Study ("DFS") on the Ncondezi Project (licences 804L & 805L) on track for completion during July 2012;
- Environmental Impact and Assessment Study ("ESIA") on schedule for completion during Q2 2012;
- Mozambique Coal Industry Export Initiative ("MCIEI") formed in partnership with Riversdale Mining Limited (now 100% owned by Rio Tinto Group, ("Rio Tinto") and Minas de Revuboe ("Revuboe"), and Greenfield port and rail infrastructure pre-feasibility study (the "MCIEI Infrastructure Study") commenced; and
- Consultants appointed to carry out a plant technology study to assess suitability of Ncondezi Project waste coal in power and coal gasification.

	6 months to 30 June 2011	6 months to 30 June 2010
	$'000	$'000
Loss for the period	**(1,126)**	(5,999)
Loss per share – cents	**(1.0)**	(7.0)
Loss per share before gain on derivative financial asset - cents	**(5.0)**	(7.0)
Cash at bank	**44,798**	48,965

Post reporting period highlights

- 306 drill holes (over 52,000m) resource drilling for the DFS since August 2010 is now complete;
- MCIEI Infrastructure Study, completed at the end of August, has identified a new preferred rail and port solution for the large scale export of coal from the Tete Province;
- Reconnaissance drilling initiated on licence 1315L and began in September 2011 on licence 1314L; and
- Environmental and Social Scoping study was submitted and approved by the Ministry for Co-Ordination of Environmental Affairs ("MICOA").

Graham Mascall, Chief Executive Officer of Ncondezi commented:

"*The first six months of 2011 have been a period of steady progress for the Company. We have completed the required feasibility study drilling for our Ncondezi Project and look ahead to completion of the DFS. Working in partnership with Rio Tinto and Revuboe on infrastructure initiatives for transport and export of coal from the Tete basin has identified an interesting opportunity.*

During the next six months we expect further updates on coal resources at our Ncondezi Project, additional progress on infrastructure development with the MCIEI, and results from the reconnaissance drilling on licence 1315L and licence 1314L."

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Operational and financial review

Ncondezi holds 100% of four coal exploration licences in the Tete Province in Mozambique. The Company commenced the DFS on its flagship Ncondezi Project in Q3 2010 and is targeting completing the study by the end of July 2012. Following completion of the DFS, Ncondezi plans to raise the necessary financing to build a mine and commence coal production in Q1 2015. The DFS will utilise all available data from past and future exploration programmes and will address the key issues already established by the Scoping Study.

Ncondezi Project (licences 804L & 805L)

2011 Exploration Programme

Despite positive results from the 2010 drill programme additional work was required to increase the confidence and develop a more comprehensive understanding of the coal resources. In February 2011, Ncondezi contracted The Mineral Corporation (Pty) Ltd ("TMC"), based in Johannesburg, South Africa, to review the data from previous exploration programmes, provide technical supervision over future programmes, and conduct the geological modelling and resource updates. Subsequently, Ncondezi together with TMC finalised a 6 month drill programme to the end of August 2011 that would provide the necessary additional data to develop the Ncondezi Project licences through to DFS.

The 2010 drill programme indicated that coal on the Ncondezi Project is located within 8 discrete coal sub-basins across the licence areas, referred to as coal blocks. Of the 8 coal blocks, all but one, the North East Block, showed coal potential at depths amenable to open pit mining, and were therefore drilled further during the reporting period. Results received from the drill programme during the reporting period indicated that there are considerable resources of coal at shallow depths in the North and Central Blocks. The infill core drilling has also been positive in the South Block, with coal zones showing reasonable continuity. It is believed that licence 805L primarily hosts resources with the potential to produce both export thermal and local thermal coal products. Potential also remains for the identification of coking coal components of the resource. In addition, a spectrum of low volatile coals has been identified within the coal zones, predominantly in the South Block, and the Company is currently investigating the economic potential of these. During the second half of the 2011 reporting period, Ncondezi together with TMC will focus on completing the 2011 drill programme to develop and validate a revised geological model for an update of the coal resource classification on the Ncondezi Project..

Open-hole Mud Rotary Drilling

As part of the 2011 drill programme open-hole mud rotary ("PCD") drilling commenced on License 805L in February 2011 and on License 804L in March 2011. The initial objectives of the PCD drill programme were to:

- Drill infill boreholes in the South Block on a 500m x 500m grid in order to improve coal zone correlations and reclassify the resource;
- Drill infill boreholes in the southern part of the West Block on a 500m x 500m grid to increase the confidence and understanding of the coal resources in the area; and
- Drill reconnaissance boreholes in the East, Central, River and the northern part of the West Block on a 2km x 2km grid in order to identify further areas of potential coal deposition.

A total of 62 PCD boreholes were drilled during the reporting period, with a total meterage of 10,744m.

The drilling chips from open-hole mud rotary boreholes were geologically logged and sampled, but not analysed. The majority of these boreholes were logged with downhole geophysical techniques by an independent contractor, namely Weatherford International (Pty) Ltd. All the drilling was completed by Resource Drilling Mozambique Lda, and subsequently Major Drilling Lda after acquiring the former in March 2011.

Core Drilling
As part of the 2011 drill programme approved by TMC, the slim core ("HQ") drilling focussed on drilling license 805L and parts of license 804L. Initial objectives of the HQ drill programme were to:

- Drill HQ boreholes in the South Block on a 350m x 500m grid;
- Drill HQ boreholes in the North, Central, East Blocks on a 500m x 500m grid; and
- Drill HQ boreholes in the River and West Blocks on a 1km x 1km grid.

HQ drilling commenced in February 2011. A total of 133 HQ boreholes were drilled during the reporting period, with a total meterage of 18,608m.

All cored boreholes were geophysically logged. Geophysical logs were used to identify coal zone positions and to distinguish between coal and rock partings during sampling. They have also been extremely useful in determining seam characteristics and core loss zones.

Coal Sampling
Cores from the HQ drill programme are used for coal sampling through the following process:

- After the HQ cores have been drilled, measured and marked at the drill rigs, they are transported back to the Ncondezi Exploration Camp for detailed logging;
- All cores are then photographed and coal intersections placed in a refrigeration unit to await sampling;
- The coal intersections are then audited and corrected using the downhole geophysical logs. From this, coal zones are identified;
- The coal zones are then sampled and dispatched via refrigerated vehicle to accredited laboratories in South Africa for a series of analytical tests;
- In addition to the coal zones, sections of the roof and floor strata of each sampled coal zone were also sampled and analysed; and
- Depending on certain cut-off criteria being met, coal samples will undergo swell and roga tests at low density float fractions to access metallurgical coal potential.

During the reporting period, over 2,700 samples were taken from 108 HQ boreholes.

Other Licences
Ncondezi recently received extensions to its other 2 exploration licences, 1314L and 1315L, until February 2014. In response to this, the Company has now initiated a reconnaissance drill programme on both licences to be completed during the second half of 2011. Both licences are underlain by the coal bearing Lower Karoo strata and therefore have good potential for coal discovery. Geological mapping completed in 2010 has already established potential target drill locations and sampling sites. The Company expects to be able to update shareholders on the results of the reconnaissance drill programme by the end of 2011.

Social and Environmental

ESIA
The ESIA study is a necessary requirement in Mozambique for conversion from exploration licence to a mining licence, and is being conducted in parallel to the DFS study on the Ncondezi Project. The ESIA study is continuing according to schedule for completion end Q2 2012.

Baseline reports are currently being prepared after completion of the necessary fieldwork as follows:

- Ground water and surface water investigations;
- Air and noise quality;
- Soils and land capability;
- Flora and fauna; and
- Socio-cultural/socio-economic assessment.

A resettlement policy framework is also being prepared.

Early findings of the studies indicate no fatal flaws from an environmental and social perspective. These findings have been incorporated into the engineering design criteria at a DFS/ESIA integration workshop in September 2011.

Licences 1314L and 1315L
Following the renewal of both licences 1314L and 1315L during the reporting period and in preparation for the reconnaissance drill programmes that are planned on both licences, Ncondezi held initial consultative visits and stakeholder engagements with key local government officials and community leaders to inform them of the drilling activities planned and assess possible social and environmental issues that may arise. The outcome of these meetings was positive with no material obstacles identified.

Social Development Projects
As part of the Company's social development programme, it offers two Post Graduate Scholarships to be awarded to local Mozambican students to further their studies in the fields of geology and/or mining at an international university. During the reporting period, Rudencio Morais and Nel Mondlane successfully applied for these scholarships and have been accepted for post graduate studies at Coimbra University in Portugal to start in September 2011.

Infrastructure
With a capacity of 5Mtpa, Mozambique's existing export infrastructure is insufficient to cope with the potential large scale coal production expected from the Zambezi Coal Basin in the Tete Province of Mozambique. Initial estimates suggest that between 50Mtpa and 100Mtpa could be produced from the region for export during the next 10 to 20 years. As part of the Company's strategy to identify a long term export solution for its future production of coal, Ncondezi agreed to form the MCIEI with Rio Tinto and Revuboe, who both have coal projects in the Tete Province of Mozambique. The primary objective of MCIEI was to jointly fund the MCIEI Infrastructure Study to assess the logistics options available for the large scale export of coal from the Tete Province. The MCIEI Infrastructure Study would look to identify a preferred expandable rail and port Greenfield solution with an initial capacity of 20Mtpa that could be expanded up to 100Mtpa, at or in-between the existing ports of Beira and Nacala. The Strang-Tradex Group, through its Port and Logistics Business Solutions division, was appointed to conduct the MCIEI Infrastructure Study with a complementary group of logistics experts over a 7 month period commencing 31 January 2011 and finishing end of August 2011. The Company expects more detailed information from the results of the MCIEI Infrastructure Study to be made available in Q4 2011.

MCIEI is focused on the development of a multi-user export solution and is conducting its work with the support and participation of the Mozambican Government and the Mozambican Coal Development Association.

The Company expects to benefit from its active role in this study and its aim of achieving a long-term infrastructure solution for the region.

Domestic Power Plant and Coal Gasification
During the reporting period, the Company appointed Hugh Brown & Associates (Pty) Ltd ("HB&A") to conduct a study to identify suitable technologies for the use of the Company's non-export grade ("middlings") coal product, a by-product of washing run of mine coal, in power and coal gasification plants. Coal mining in Mozambique is likely to produce large amounts of non-export grade coals, and similar studies are being undertaken by both Rio Tinto and Vale (S.A.).

Initial coal quality test work and review has been completed and HB&A is due to provide a final report with a financial review and recommendations for technology candidates in both power and coal gasification during October 2011. Subject to a positive result from the technology review, the Company plans to move on to a more detailed phase of study.

Post Reporting Period Events

Ncondezi Project

By mid August, the required drilling for the DFS had been completed on the Ncondezi Project. The total drilling during the 2011 drill programme included 170 HQ boreholes with total meterage of 25,106m and 62 PCD boreholes with total meterage of 10,744m. This brings total drilling since August 2010, when the DFS work programme began, to 306 boreholes (194 HQ holes and 112 PCD holes) which represents over 52,000m of drilling.

Additional large diameter core ("LD") drilling is now taking place on the Ncondezi Project for gasification and boiler plant design requirements as part of the studies being conducted by HB&A. Geotechnical drilling is also taking place for pit design as part of the DFS.

Over 3,400 samples have been sent to accredited laboratories in South Africa for analytical test work. To date, the Company has received approximately half the test work results and the geological modelling is progressing well. Initially, the Company had mandated a single laboratory to complete this work, however poor turnaround times were putting pressure on the DFS project timetable and so a second accredited laboratory was mandated during July 2011 to try and spread the work load and mitigate any project timetable slippage. Should further slippage occur, the project timetable for delivery of the DFS could potentially be impacted. The Company should have a better understanding of the full effect of this delay on the Ncondezi Project timetable by the end of the year, but still plans to release a resource update during Q4 2011.

MCIEI Infrastructure Study

A final draft of the MCIEI Infrastructure Study was received at the end of August. In summary, the report has identified a preferred Greenfield port and rail solution in Mozambique with the port located north of the Zambezi river mouth in the Zambezia Province, less than 500km from Tete and north of the Zambezi River mouth. The preferred port option would be a deep water port capable of handling up to cape size vessels with expandable capacity from an initial 25Mtpa to 100Mtpa. Ncondezi, together with Rio Tinto and Revuboe, is now reviewing and commenting on the report ahead of final sign off in October 2011, following which a more detailed announcement will be made.

The next phase for MCIEI will be to initiate a detailed feasibility study on the preferred rail and port solution which could take between 12 and 24 months to complete depending on the speed of data collection and Government approvals. It is therefore important that the MCIEI increases the involvement of the Mozambican Government and other coal companies in Mozambique for the next phase. Initial discussions with respective parties have been positive.

Other Matters of Interest

Work is progressing well on the Company's two Greenfield exploration licences with reconnaissance drilling commencing on licence 1315L and due to begin later in September 2011 on licence 1314L. Both reconnaissance drill programmes are targeted for completion by the end of October 2011.

As part of the ESIA study process, an Environmental and Social Scoping study was submitted and approved by MICOA in Mozambique during August 2011. This clears the way for the completion of baseline data collection and impact assessment.

Financial overview

Results from operations

The Group made a loss after tax for the period ended 30 June 2011 of $1.1m (H1 2010: $6.0m). The basic loss per share for H1 2011 was 1.0 cent (H1 2010: 7.0 cents) and was lower than expected, largely due to the gain on the derivative financial asset resulting from the fair value movement on the Dos Santos call option. If the gain on the derivative financial asset was excluded from the loss per share calculation, the loss per share for the period would have been 5.0 cents.

Fund raising activities
In January 2011 the Company issued 12m new Ordinary Shares with investors at a price of 195 pence each. The gross proceeds received were $36.2m (£23.4m).

The Company used approximately $20.9m of the funds raised to exercise a call option on 12 January 2011 to repurchase the 12.2m shares from the Dos Santos family at 110.7 pence per share ('Option Price'). The Option Price paid represented a 46% discount to the closing mid-market price of 204 pence on AIM on 12 January 2011. The shares repurchased from the Dos Santos family were subsequently cancelled.

In June 2011 the Company's brokers Liberum Capital and Renaissance Capital Limited elected to exercise warrants granted to them on 8 June 2010 at the IPO price of 123 pence. The total number of warrants exercised was 1,447,822 resulting in a cash inflow of $2.9m (£1.8m).

Cash flows
The net cash outflow from operating activities for the period was $4.0m (H1 2010: $1.0m).

Net cash used in investing activities was $6.5m (H1 2010: $0.8m) including amounts of $0.6m for property, plant and equipment (H1 2010: $0.1m) and $5.9m on exploration activities (H1 2010: $0.7m) incurred on Ncondezi Coal Project.

Net cash generated from financing activities was $16.8m (H1 2010: $50.7m) as described under fund raising activities shown above.

The resulting period end cash held totalled $44.8m (H1 2010: $49.0m).

Graham Mascall

Chief Executive Officer

Independent review report to Ncondezi Coal Company Limited

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes that have been reviewed.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of 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 condensed 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 (UK and Ireland) 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 (UK and Ireland) 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 condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP
Chartered Accountants and Registered Auditors
Location
United Kingdom
Date

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

Condensed consolidated income statement
for the six months ended 30 June 2011

	Note	**6 months ended 30 June 2011 Unaudited $'000**	6 months ended 30 June 2010 Unaudited $'000	Year ended 31 December 2010 Audited $'000
Other administrative expenses	2	**(2,817)**	(1,210)	(5,328)
Research expenses	2	**(837)**	-	-
Share-based payments charge	2	**(1,564)**	(4,751)	(5,865)
Total administrative expenses and loss from operations		**(5,218)**	(5,961)	(11,193)
Finance income		**18**	5	32
Gain on derivative financial asset	7	**4,166**	-	10,813
Finance expense		**(18)**	(6)	(19)
Loss for the period before taxation		**(1,052)**	(5,962)	(367)
Taxation		**(74)**	(37)	(105)
Loss for the period attributable to equity shareholders of the parent company		**(1,126)**	(5,999)	(472)
Loss per share expressed in cents				
Basic and diluted	3	**(1.0)**	(7.0)	(0.5)

Condensed consolidated statement of comprehensive income
for the six months ended 30 June 2011

	6 months ended 30 June 2011 Unaudited $'000	6 months ended 30 June 2010 Unaudited $'000	Year ended 31 December 2010 Audited $'000
Loss after taxation	**(1,126)**	(5,999)	(472)
Other comprehensive income:			
Exchange differences on translating foreign operations	**4**	33	5
Total comprehensive income for the period	**(1,122)**	(5,966)	(467)

Condensed consolidated statement of financial position
at 30 June 2011

	Note	**30 June 2011 Unaudited $'000**	30 June 2010 Unaudited $'000	31 December 2010 Audited $'000
Assets				
Non-current assets				
Intangible assets	4	**21,314**	9,137	13,586
Property, plant and equipment		**2,564**	146	1,942
Total non-current assets		**23,878**	9,283	15,528
Current assets				
Trade and other receivables		**1,836**	102	1,272
Derivative financial asset		**-**	6,291	17,104
Cash and cash equivalents		**44,798**	48,965	38,068
Total current assets		**46,634**	55,358	56,444
Total assets		**70,512**	64,641	71,972
Liabilities				
Current liabilities				
Current tax payable		**183**	626	106
Trade and other payables		**4,358**	1,192	2,430
Total current liabilities		**4,541**	1,818	2,536
Total liabilities		**4,541**	1,818	2,536
Capital and reserves attributable to shareholders				
Share capital	5	**76,108**	59,245	59,245
Foreign currency translation reserve		**9**	33	5
Other reserves		**-**	5,791	5,791
Retained earnings		**(10,146)**	(2,246)	4,395
Total capital and reserves		**65,971**	62,823	69,436
Total equity and liabilities		**70,512**	64,641	71,972

Approved on behalf of the Board on 29 September 2011

Graham Mascall
Chief Executive Officer

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2011

	Share capital $'000	Other reserves $'000	Foreign Currency Translation reserve $'000	Retained earnings $'000	Total $'000
At 1 January 2011	**59,245**	**5,791**	**5**	**4,395**	**69,436**
Loss for the period	**-**	**-**	**-**	**(1,126)**	**(1,126)**
Comprehensive income for the period	**-**	**-**	**4**	**-**	**4**
Exercise of warrants	**2,934**	**-**	**-**	**-**	**2,934**
Issue of shares	**36,206**	**-**	**-**	**-**	**36,206**
Costs associated with issue of shares	**(1,399)**	**-**	**-**	**-**	**(1,399)**
Shares buy-back and cancellation	**(20,878)**	**-**	**-**	**-**	**(20,878)**
Exercise of Dos Santos option	**-**	**(20,770)**	**-**	**-**	**(20,770)**
Reclassification of other reserves	**-**	**14,979**	**-**	**(14,979)**	**-**
Equity settled share based payments	**-**	**-**	**-**	**1,564**	**1,564**
At 30 June 2011 (Unaudited)	**76,108**	**-**	**9**	**(10,146)**	**65,971**

	Share capital $'000	Share premium $'000	Other reserves $'000	Foreign Currency Translation reserve $'000	Retained earnings $'000	Total $'000
At 1 January 2010	1	3,528	-	-	(998)	2,531
Reclassification of shares	3,528	(3,528)	-	-	-	-
Loss for the period	-	-	-	-	(5,999)	(5,999)
Comprehensive income for the period	-	-	-	33	-	33
Capitalisation of shareholder loans	7,204	-	-	-	-	7,204
Issue of shares	52,000	-	-	-	-	52,000
Costs associated with issue of shares	(3,488)	-	-	-	-	(3,488)
Derivative financial asset	-	-	5,791	-	-	5,791
Equity settled share based payments	-	-		-	4,751	4,751
At 30 June 2010 (Unaudited)	59,245	-	5,791	33	(2,246)	62,823

	Share capital $'000	Share premium $'000	Other reserves $'000	Foreign Currency Translation reserve $'000	Retained earnings $'000	Total $'000
At 1 January 2010	1	3,528	-	-	(998)	2,531
Reclassification of shares	3,528	(3,528)	-	-	-	-
Loss for the period	-	-	-	-	(472)	(472)
Comprehensive income for the period	-	-	-	5	-	5
Capitalisation of shareholder loans	7,204	-	-	-	-	7,204
Issue of shares	52,000	-	-	-	-	52,000
Costs associated with issue of shares	(3,488)	-	-	-	-	(3,488)
Derivative financial asset	-	-	5,791	-	-	5,791
Equity settled share based payments	-	-	-	-	5,865	5,865
At 31 December 2010 (Audited)	59,245	-	5,791	5	4,395	69,436

Condensed consolidated statement of cash flows

for the six months ended 30 June 2011

	6 months to 30 June 2011 Unaudited $'000	6 months to 30 June 2010 Unaudited $'000	Year ended 31 December 2010 Audited $'000
Cash flow from operating activities			
(Loss) before taxation	**(1,052)**	(5,962)	(367)
Adjustments for:			
Finance income	**(18)**	(5)	(32)
Finance expense	**18**	6	19
Share based payments charge	**1,564**	4,751	5,865
Foreign exchange movements	**121**	(146)	(67)
Derivative financial asset	**(4,166)**	-	(10,813)
Disposal of property plant and equipment	**-**	-	16
Depreciation	**135**	15	92
Net cash flow from operating activities before changes in working capital	**(3,398)**	(1,341)	(5,287)
(Decrease)/increase in payables	**10**	461	1,195
(Increase) in receivables	**(564)**	(79)	(1,399)
Net cash flow from operating activities	**(3,952)**	(959)	(5,491)
Investing activities			
Payments for property, plant and equipment	**(601)**	(111)	(1,962)
Payments for other intangibles	**-**	-	(103)
Interest received	**18**	5	32
Exploration costs capitalised	**(5,966)**	(692)	(5,078)
Net cash flow from investing activities	**(6,549)**	(798)	(7,111)
Financing activities			
Issue of ordinary shares	**39,140**	52,000	52,000
Bank charges	**(18)**	(6)	(19)
Cost of share issue	**(1,399)**	(3,488)	(3,488)
Share buy-back	**(20,878)**	-	-
Shareholder loans received	**-**	2,163	2,162
Net cash flow from financing activities	**16,845**	50,669	50,655
Net increase/(decrease) in cash and cash equivalents in the period	**6,344**	48,912	38,053
Cash and cash equivalents at the beginning of the period	**38,068**	15	15
Effect of foreign exchange rate changes on cash and cash equivalents	**386**	38	-
Cash and cash equivalents at the end of the period	**44,798**	48,965	38,068

Notes to the condensed consolidated financial statements

1. Basis of preparation

The consolidated interim financial information has 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 information has been prepared using the accounting policies which will be applied in the Group's financial statements for the year ended 31 December 2011.

The consolidated interim financial information for the period 1 January 2011 to 30 June 2011 is unaudited. In the opinion of the Directors the consolidated interim financial information for the period represents fairly the financial position, results from operation and cash flows for the period in conformity with the generally accepted accounting principles consistently applied. The consolidated interim financial information incorporates comparative figures for the interim period 1 January 2010 to 30 June 2010 and the audited financial year to 31 December 2010.

The comparative figures for June 2010 have been restated to take into account the initial recognition of the Dos Santo option (note 7).

The following new standards, interpretations and amendments to existing standards have been adopted by the Group:
International Accounting Standards (IAS/IFRS) and International Financial Reporting Interpretations (IFRIC)

IAS 24	Revised - Related Party Disclosures	1 Jan 2011
IFRIC 14	Amendment - IAS 19 Limit on a defined benefit asset	1 Jan 2011
IFRS 7 *	Amendment - Transfer of financial assets	1 Jul 2011
Improvements to IFRSs (2010)	Miscellaneous amendments resulting from the IASB's annual improvements projects	1 Jan 2011
IAS 32	Amendment - Classification of Right Issues	1 February 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The adoption of these standards, interpretations and amendments did not affect the Group results of operations or financial positions. No other IFRS issued and adopted but not yet effective are expected to have an impact on the Group's interim financial statements.

Notes to the condensed consolidated financial statements (continued)

1. Basis of preparation (continued)

(ii) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these interim financial statements which have not been adopted early:

Standard	***Description***	***Effective date***
IAS 12 *	*Deferred Tax: Recovery of Underlying Assets*	1 Jan 2012
IAS 1 *	Amendment - Presentation of Items of Other Comprehensive Income	1 Jul 2012
IFRS 9 *	Financial instruments	1 Jan 2013
IFRS 10 *	Consolidated financial statements	1 Jan 2013
IFRS 11 *	Joint arrangements	1 Jan 2013
IFRS 12 *	Disclosure of Involvement with Other Entities	1 Jan 2013
IAS 28 *	Investments in Associates (revised 2011)	1 Jan 2013
IAS 27 *	Separate Financial Statements (revised 2011)	1 Jan 2013
IFRS 13 *	Fair Value Measurement	1 Jan 2013
IAS 19 *	Employee Benefits	1 Jan 2013

Amendments and interpretations are not expected to materially affect the Group's reporting or reported numbers.
* Not yet endorsed by European Union.

2. Administrative expenses

	6 months to 30 June 2011 Unaudited $'000	6 months to 30 June 2010 Unaudited $'000	Year ended 31 December 2010 Audited $'000
Staff costs	**1,188**	524	2,277
Professional and consultancy	**448**	483	1,402
Office expenses	**298**	297	598
Travel and accommodation	**609**	388	969
Other expenses	**737**	43	777
Foreign exchange gain	**(463)**	(525)	(695)
Other administrative expenses	**2,817**	1,210	5,328
Research expenses*	**837**	-	-
Share-based payments**	**1,564**	4,751	5,865
Total administrative expenses	**5,218**	5,961	11,193

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

** The share-based payments charge relates to 6.7 million share awards granted to directors and senior management during the year ended 31 December 2010.

Notes to the condensed consolidated financial statements (continued)

3. 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 period.

The weighted average number of ordinary shares outstanding during the period and for the prior periods presented has been adjusted in accordance with IAS 33. The adjustment reflects the share division that took place on 25 May 2010 where each issued ordinary share of $1 each was divided into 80,000 ordinary shares of no par value. The adjustment is made retrospectively as if the share division took place at the start of the comparative 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 2011			Unaudited 30 June 2010			Audited 31 December 2010		
	Loss $'000	**Weighted average number of shares (thousands)**	**Per share amount (cents)**	Loss $'000	Weighted average number of shares (thousands)	Per share amount (cents)	Loss $'000	Weighted average number of shares (thousands)	Per share amount (cents)
Basic and diluted EPS	**(1,126)**	**116,215**	**(1.0)**	(5,999)	83,966	(7.0)	(472)	99,950	(0.5)

Notes to the condensed consolidated financial statements (continued)

4. Intangible assets

	Exploration and evaluation costs $'000	Other intangible assets $'000	Total $'000
Cost			
At 1 January 2011	**13,493**	**103**	**13,596**
Additions	**7,746**	**-**	**7,746**
At 30 June 2011	**21,239**	**103**	**21,342**
At 1 January 2010	8,415	-	8,415
Additions	722	-	722
At 30 June 2010	9,137	-	9,137
At 1 January 2010	8,415	-	8,415
Additions	5,078	103	5,181
At 31 December 2010	13,493	103	13,596
Amortisation			
At 1 January 2011	-	10	10
Amortisation charge	-	18	18
At 30 June 2011	-	28	28
At 1 January 2010	-	-	-
Amortisation	-	10	10
At 31 December 2010	-	10	10
Net book value 30 June 2011	21,239	75	21,314
Net book value 30 June 2010	9,137	-	9,137
Net book value 31 December 2010	13,493	93	13,586

Exploration costs relate to the initial acquisition of the licences and subsequent exploration expenditure incurred in evaluating the Ncondezi project, which consists of the 804L, 805L, 1314L and 1315L licence areas situated in the Tete, Mozambique.

Notes to the condensed consolidated financial statements (continued)

5. Share capital

Number of shares	**6 months to 30 June 2011 Unaudited**	6 months to 30 June 2010 Unaudited	Year ended 31 December 2010 Audited
Allotted, called up and fully paid			
Ordinary shares of no par value	**121,115,682**	**119,157,334**	119,857,334

Unaudited	**Shares issued Number**	**Share capital $'000**
At 1 January 2011	**119,857,334**	**59,245**
Issue of shares	**12,000,000**	**34,807**
Share buy-back and cancellation	**(12,189,474)**	**(20,878)**
Exercise of warrants	**1,447,822**	**2,934**
At 30 June 2011	**121,115,682**	**76,108**

Unaudited	Shares issued Number	Share capital $'000
At 1 January 2010	1,000	3,529
Division and reclassification of ordinary shares	79,999,000	-
Issue of shares	29,145,928	48,512
Issue of shares - Employee long term incentive scheme	6,000,000	-
Capitalisation of shareholder loans	4,011,406	7,204
At 30 June 2010	119,157,334	59,245

Audited	Shares issued Number	Share capital $'000
At 1 January 2010	1,000	3,529
Division and reclassification of ordinary shares	79,999,000	-
Issue of shares	29,145,928	48,512
Issue of shares - Employee long term incentive scheme	6,700,000	-
Capitalisation of shareholder loans	4,011,406	7,204
At 31 December 2010	119,857,334	59,245

Notes to the condensed consolidated financial statements **(continued)**

6. Segmental analysis

The Group has two reportable segments:

- Exploration - this segment is involved in the exploration of coal within the Group's licence areas in 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 2011 are as follows:

Income statement	**Exploration $'000**	**Corporate $'000**	**Group $'000**
For the six months ended 30 June 2011 (unaudited)			
Segment result after allocation of central costs	**(969)**	**(4,249)**	**(5,218)**
Finance expense	**(5)**	**(13)**	**(18)**
Finance income	**-**	**4,184**	**4,184**
Loss before taxation	**(974)**	**(78)**	**(1,052)**
Taxation	**-**	**(74)**	**(74)**
Loss for the year	**(974)**	**(152)**	**(1,126)**

Income statement	Exploration $'000	Corporate $'000	Group $'000
For the six months ended 30 June 2010 (unaudited)			
Segment result after allocation of central costs	(3)	(5,958)	(5,961)
Interest expense	-	(6)	(6)
Interest income	-	5	5
Loss before taxation	(3)	(5,959)	(5,962)
Taxation		(37)	(37)
Loss for the year	(3)	(5,996)	(5,999)

Notes to the condensed consolidated financial statements (continued)

6. Segmental analysis (continued)

The segment results for the year ended 31 December 2010 are as follows:

Income statement	Exploration $'000	Corporate $'000	Group $'000
For the year ended 31 December 2010 (audited)			
Segment result after allocation of central costs	(903)	(10,290)	(11,193)
Interest expense	-	(19)	(19)
Interest income	-	10,845	10,845
Loss before taxation	(903)	536	(367)
Taxation	-	(105)	(105)
Loss for the year	(903)	431	(472)

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

Income statement	**Exploration $'000**	**Corporate $'000**	**Group $'000**
For the six months ended 30 June 2011 (unaudited)			
Depreciation charged to the income statement	**(107)**	**(28)**	**(135)**
Share based payments	**-**	**(1,564)**	**(1,564)**
Income tax expense	**-**	**(74)**	**(74)**

Income statement	Exploration $'000	Corporate $'000	Group $'000
For the six months ended 30 June 2010 (unaudited)			
Depreciation charged to the income statement	-	(15)	(15)
Share based payments	-	(4,751)	(4,751)
Income tax expense	-	(37)	(37)

Income statement	Exploration $'000	Corporate $'000	Group $'000
For the year ended 31 December 2010 (audited)			
Depreciation charged to the income statement	(56)	(36)	(92)
Share based payments	-	(5,865)	(5,865)
Income tax expense	-	(105)	(105)

Notes to the condensed consolidated financial statements (continued)

6. Segmental analysis (continued)

The segment assets and liabilities at 30 June 2011 and capital expenditure for the six months then ended are as follows:

Statement of financial position	**Exploration $'000**	**Corporate $'000**	**Group $'000**
At 30 June 2011 (unaudited)			
Segment assets	**23,602**	**46,910**	**70,512**
Segment liabilities	**(3,008)**	**(1,533)**	**(4,541)**
Segment net assets/(liabilities)	**20,594**	**45,377**	**65,971**
Property plant and equipment capital expenditure	**601**	**-**	**601**
Exploration capital expenditure	**7,746**	**-**	**7,746**

The segment assets and liabilities at 30 June 2010 and capital expenditure for the six months then ended are as follows:

Statement of financial position	Exploration $'000	Corporate $'000	Group $'000
At 30 June 2010 (unaudited)			
Segment assets	9,844	54,797	64,641
Segment liabilities	(660)	(1,158)	(1,818)
Segment net assets/(liabilities)	9,184	53,639	62,823
Property plant and equipment capital expenditure	91	20	111
Exploration capital expenditure	722	-	722

The segment assets and liabilities at 31 December 2010 and capital expenditure for the year then ended are as follows:

Statement of financial position	Exploration $'000	Corporate $'000	Group $'000
At 31 December 2010 (audited)			
Segment assets	13,577	58,395	71,972
Segment liabilities	(658)	(1,878)	(2,536)
Segment net assets/(liabilities)	12,919	56,517	69,436
Property plant and equipment capital expenditure	1,923	39	1,962
Exploration capital expenditure	5,078	-	5,078

Notes to the condensed consolidated financial statements (continued)

7. Derivative financial asset

The late Denis Pereira Dos Santos was the registered owner of the 12,189,474 ordinary shares of the Company.

On 24 May 2010 the Company entered into a Put and Call option agreement with Rogerio Dos Santos (in his capacity as executor and heir to the estates of certain members of the Dos Santos family) and Roberto Dos Santos (in his personal capacity and as heir to the estates of certain members of the Dos Santos family).

Pursuant to this agreement Rogerio Dos Santos granted the Company a call option in relation to the Dos Santos Shares in the Company. The Call option can be exercised in whole or in part by the Company at any time or times during the option period which starts on the date on which a court order is made for re-sealing of the South African letters of executorships of the estate of Dos Santos occurs in the BVI until later of: i) the date which is 12 months from the Company's admission to AIM; and ii) the date which is three months from the date on which the Company is notified that the re-sealing of the letter of executorships in respect of the estate of Dos Santos in the BVI has occurred.

Further, the Company granted Rogerio Dos Santos a Put option in respect of such number of the Dos Santos Shares, which when aggregated with all of the Dos Santos Shares bought back by the Company in respect of any exercise of the Call Option, equal to the value of US$500,000. No exercise of the Put Option, which when aggregated with all exercises of the Call Option, shall result in Rogerio Dos Santos receiving an amount in excess of $500,000.

The Option price per Dos Santos Share under the Put Option and Call Option is equal to the Placing Price less 10%, which is equal to 110.7p.

On 20 October 2010 the Company was notified that the re-sealing of the letter of executorships in respect of the estate of Dos Santos in the BVI has occurred.

On 20 January 2011 the Company exercised its Call Option and bought back all the 12,189,474 ordinary shares held by Dos Santos Family.

As the Call Option is priced in Pound Sterling whilst the functional currency of the Company is US$ it is treated as a derivative financial asset with corresponding increase in equity, and is accounted for at fair value through profit and loss.

Notes to the condensed consolidated financial statements (continued)

7. Derivative financial asset (continued)

The fair value of the derivative financial asset at the date the call option was exercised was $21,270,000 (31 December 2010 - $17,104,000; 30 June 2010 - $6,290,000). It has been calculated using the Black-Scholes model with the following principal assumptions used in the valuation:

	Initial recognition	At 31 December 2010	At 20 January 2011
Share price on issue of loan notes	123.00p	200.50p	220.00p
Strike price	110.70p	110.70p	110.7p
Volatility	54%	34%	34%
Risk-free investment rate	1.50%	1.50%	1.50%
Fair value	35.18p	89.90p	110.00p

During the period a gain of $4,166,000 (31 December 2010 - $10,813,000; 30 June 2010 - Nil) has been recognised in the consolidated income statement in respect of the fair value movement of the derivative financial asset.

The Put Option contained an obligation for the Company to purchase its own shares for cash or another financial asset and gave rise to a financial liability for the present value of the redemption amount with a corresponding decrease in equity. Due to a relatively short exercise period of the option the present value of the redemption amount was deemed to be equal to US$500,000. This amount was recognised in the Statement of Financial Position within other payables at 30 June 2010 and 31 December 2010 and was subsequently de-recognised following the exercise of the call option.

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 2011 and 30 June 2010 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.

Notes to the condensed consolidated financial statements (continued)

8. Related party transactions (continued)

Strata Limited ("Strata") - relationship agreement
A relationship agreement dated 3 June 2010 (“Relationship Agreement”) between the Company and Strata was executed to regulate the ongoing 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 2011 Strata held 45.56% of the Company (30 June 2010 45.56%).

Strata Group Services Limited
In December 2009 the Group entered into a short term lease expiring in June 2011, with Strata Group Services Limited, a subsidiary of Strata Limited for offices in London, United Kingdom. The annual rent for these offices is $129,000 (equivalent £79,650).

In addition Strata Group Services Limited charged the Company $93,766 (2010 H1: $Nil) in respect of legal services. There was no outstanding balance at 30 June 2011 (2010 H1: $Nil).

MMDN Financial Services LLP (“MMDN”)
During the period MMDN a company which Manish Kotecha, the Company’s Chief Financial Officer, is a partner charged the Company $23,561 (2010 H1: $54,045) in respect of financial services. The balance outstanding at 30 June 2011 was $8,665 (2010 H1: $Nil).

Mines Value Management
During the period $49,740 (2010 H1: $Nil) 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 balance due at 30 June 2011 (2010 H1: $Nil).

10. Events after the reporting period
There were no significant transactions after the reporting date.

Company Details

Directors	Graham Mascall (Chief Executive Officer) Richard Stuart (Non-Executive Chairman) Estevao Pale (Non-Executive Director) Nigel Sutherland (Non-Executive Director) Colin Harris (Non-Executive Director) Mark Trevan ((Non-Executive Director)
Company Secretary	Elysium Fund Management Limited
Registered Office	2nd Floor Wickham's Cay II PO Box 2221 Road Town Tortola British Virgin Islands
Company number	1019077
Nominated Advisor and Joint Broker	Liberum Capital Limited Ropemaker Place Level 12 25 Ropemaker Street London EC2Y 9AR
Joint Broker	Renaissance Capital Limited One Angel Court Copthall Avenue London EC2R 7HJ
Auditors	BDO LLP 55 Baker Street London W1U 7EU
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