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NEWS RELEASE

Interim Results for the six months ended 30 June 2018

and Directorate Change

28 September 2018: Ncondezi Energy Limited ("Ncondezi", the “Company” or the “Group”) (AIM: NCCL) announces its interim results for the six months ended 30 June 2018.

Highlights:

- On 18 April 2018, the Company announced in principle support from Electricity de Mozambique (“EDM”) and the Ministry of Mineral Resources and Energy (“MIREME”) for proposed strategic partners, China Machinery Engineering Corporation (“CMEC”) and General Electric South Africa (PTY) Limited (“GE”).
- On 25 April 2018, updated information for the engineering, procurement, and construction (“EPC”) and operations and maintenance (“O&M”) proposals were received.
- On 4 May 2018, the Company raised a total of £950,000 before expenses through an oversubscribed placing of 15,200,000 ordinary shares in the Company at a price of 6.25 pence per ordinary share.
- On 25 May 2018, the Company, as part of the Company’s management incentive scheme, granted share options in respect of 22,897,522 shares in the Company to its directors, executive senior management team and contracted personnel representing 8.2% of the issued share capital of the Company.
- On 11 June 2018, the Company announced that the Financial Model (“FM”) and updated tariff proposal had been accepted by CMEC and GE for submission to EDM and MIREME.

Post period end

- On 26 July 2018, the Company announced the formal submission of the updated tariff proposal to EDM and MIREME.
- On 10 August 2018, the Company announced its proposed restructuring of the shareholder loan (the “Shareholder Loan”), including an extension, required to enable the Company to enter into shareholder resolutions to successfully refinance or restructure the Shareholder Loan in the future.
- During August 2018, the Company, CMEC and GE held meetings with both EDM and MIREME in Mozambique to agree the negotiation of a support package to progress the Company’s integrated 300MW power and coal mine project in Tete Mozambique (the “Project”) and the Joint Development Agreement (“JDA”).
- On 30 August 2018, the Company received “in principle” support from all Shareholder Loan holders to enter the Shareholder Loan restructuring proposal as announced on 10 August 2018 (the “Restructuring”). All lenders indicated that they would not call in the Shareholder Loan, which matured on 2 September 2018 whilst the Restructuring is being finalised.
- Cash balance of US$0.8 million as at 26 September 2018 which is sufficient to cover the Company’s forecast working capital costs until middle of June 2019, subject to Shareholder Loan being extended or restructured.

Financial highlights:

	6 months to 30 June 2018 US$'000	6 months to 30 June 2017 US$'000
Loss for the period	**(2,413)**	**(671)**
Loss per share – cents	**(0.9)**	**(0.3)**
Cash at bank (including restricted cash)	**1,123**	**158**

Directorate Change

Ncondezi announces that Christiaan Schutte has resigned as a non-executive director of the Company, and from the Board, with effect from 30 September 2018. Christiaan is to take up a senior role at a large power company in South Africa, which will unfortunately mean he is not able to continue to act as a non-executive director of the Company.

Non-executive Chairman, Mike Haworth commented: "*I would like to thank Christiaan for his significant contribution to the development of the Company over the last five years where his deep experience in the southern African power sector has been invaluable. We appreciate the reasons for his departure and wish him all the best in his new role.*

Enquiries:

Ncondezi Energy:	Hanno Pengilly	+27 (0) 71 362 3566
Liberum Capital Limited: NOMAD & Broker	Christopher Britton / Richard Crawley	+44 (0) 20 3100 2000

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

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

Chairman's Statement

Dear Shareholder,

The first half of the 2018 financial year has been focused on completing due diligence milestones related to the finalisation of the JDA with potential strategic partners, CMEC and GE. The JDA is the formal document which will govern the relationship between the parties in developing the Project. CMEC and GE are looking to acquire a minimum 60% equity stake in the Project, be responsible for all EPC and O&M services on a build own operate basis and lead project debt financing in conjunction with Ncondezi at Financial Close ("FC").

In principle terms of the JDA were agreed in a Non-Binding Offer ("NBO") signed in October 2017. The proposed terms represent a material opportunity to de-risk the delivery of the Project by allocating key roles and responsibilities to the party best equipped to handle them. CMEC and GE bring significant expertise in developing financing and operating power plants globally and specifically in Africa, and are willing to utilize this expertise as majority equity partners in the Project.

As part of the JDA due diligence process, the Project technical and financial assumptions in the FM have been updated with input from CMEC and GE, delivering positive results with indications the Project could sustain a more than 10% reduction in the previously agreed tariff envelope. This lower tariff proposal strengthens the commercial negotiating position of the Project in Mozambique.

In early June 2018, the results of the FM were accepted by CMEC and GE, and the Company has subsequently submitted the updated tariff proposal to MIREME and EDM to seek in principle support to initiate negotiations for a new power tariff envelope.

Positive meetings with EDM and MIREME were subsequently held in August 2018 to present the updated tariff proposal and agree next steps. Key agreements are now to be made with respect to Project timetable alignment and finalisation of the support package to progress the Project and the JDA. These are being treated as top priorities as they are the next milestones required to finalise the JDA. Upon successful completion, the Company believes the JDA can be finalised within 3 months.

In addition, the Company has been working with Shareholder Loan holders to agree the Restructuring to provide the Company with greater flexibility in refinancing the Shareholder Loan. The process is at an advanced stage with in principle terms submitted to holders. The Company expects the Restructuring to be finalised shortly. The Shareholder Loan matured on 2 September 2018, however all holders have confirmed their intent not to call in the Shareholder Loan whilst the Restructuring is being finalised.

As at 26 September 2018, the Company had cash reserves of approximately US$0.8 million. Based upon projections the current cash reserves will cover non-project corporate costs until the middle of June 2019, subject to the Shareholder Loan being extended or restructured.

Michael Haworth
Non-Executive Chairman

Operational and Financial Review

JDA process update

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

- Submission by Ncondezi of the draft JDA for review by CMEC and GE.
- Site visit by CMEC and GE to inspect the Ncondezi Project's proposed development sites.
- In principle support received from EDM and MIREME for proposed strategic partners.
- Updated EPC and O&M proposals received and reviewed for the Integrated Project.
- FM updated and accepted for submission to MIREME and EDM by CMEC, GE and the Company.

Results of Integrated Financial Model

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

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

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

With the lower tariff target, it was essential that improvements were identified to protect the Project equity IRR agreed in the previous tariff envelope. This was achieved primarily through the choice of technology (moving from Pulverized Coal to Circulating Fluidized-Bed boiler technology), integration of the power and mine projects and optimisation of common infrastructure capex. Of key importance was the ability to link boiler design to the most cost effective coal product produced from the mine. This allows the Project to minimise coal costs to the power plant which is achieved through integration of a dedicated coal supply.

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

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

Next steps

The updated tariff proposal was formally submitted to EDM and MIREME. Following this, the Company and its potential strategic partners held meetings in Maputo, where both EDM and MIREME emphasised the need to align the Project development timeline with the current regional market environment and planning, as well as the need for a support package to progress the Project and the JDA. The company believes that this will take the form of a Letter of Support or Memorandum of Understanding with EDM and MIREME on the development of the Project, however this is currently under negotiation. This is a key milestone in finalising the JDA and is being treated as a top priority. Upon successful completion of those work streams, the Company believes the JDA can be finalised within 3 months.

Background to Non-Binding Offer

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

Shareholder Loan

The Company has been reviewing its options to refinance or restructure the Shareholder Loan following the receipt of a number of third party proposals.

Following review of the proposals, the Company has submitted a proposal to Shareholder Loan holders ("Lenders"), which includes the following amendments to the existing Shareholder Loan agreements:

- 12 month extension
- 12% interest rate, paid at maturity. Represents 52% reduction over previously agreed rates
- Ability for Lenders to swap debt for equity in part or in full at a conversion price of 10.0p per share, representing a premium of 33% to the closing share price on 9 August 2018 (conditional on shareholder approval)
- Ability for Ncondezi to redeem the Loan before maturity in full or in part

The Shareholder Loan matured on 2 September 2018, however Ncondezi has received written "in principle" support from all Lenders to enter the Restructuring. Documentation for the Restructuring has been submitted to Lenders and is in the process of being finalised. The Company has received indications from Lenders representing over 63% of the Shareholder Loan that they will accept the Restructuring proposal, with no rejections. This includes Company Chairman, Michael Haworth, Non-Executive Director, Estevao Pale and Christiaan Schutte. The outstanding Lender indication is pending review of the restructuring documentation.

Company Chairman, Michael Haworth, Non-Executive Director, Estevao Pale, and Christiaan Schutte signed irrevocable commitments on 29 August 2018 to enter into the Restructuring on terms agreed by the other Lenders.

The Restructuring is subject to the lenders agreeing to the documentation, as well as shareholder approval for the necessary share authorities to undertake a contemplated debt for equity swap in relation to the Shareholder Loan.

At 30 June 2018, a total of US$2,774,545 had been drawn down under the total Shareholder Loan. The repayment amount will be US$5,054,591.

Share Options Grant

On 25 May 2018, as part of the Company's management incentive scheme, the Company granted share options in respect of 22,897,522 shares in the Company to its directors, executive senior management team and contracted personnel representing 8.2% of the issued share capital of the Company.

The Company's Remuneration Committee agreed to these grants of new options to further align the senior management team and contracted personnel with the Company's key deliverables over the next 12 to 18 months. These include the signing of binding documents with a new strategic partner, first draw down of capital into the Power Project from a new strategic partner, restructuring or settling of the Company's Shareholder Loan, reaching an agreed form Power Purchase Agreement ("PPA") and Power Concession Agreement ("PCA"), and achieving FC for the Power Project.

In addition, a number of options were granted in lieu of deferred remuneration to directors, senior management, ex-employees and consultants. The last options grant was made by the Company in January 2014.

Of the options granted, 61% are performance related and linked to delivery of specific milestones, 17% are in lieu of director remuneration and the balance of 22% is in lieu of deferred payments to senior management, ex-employees and consultants. In addition, 5,100,000 of the options will be satisfied through the Employee Benefit Trust, and are non-dilutive to existing shareholders.

Development Program to Financial Close

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

Financial overview

Results from operations

The Group made a loss after tax for the period of US$2.4 million compared to a loss of US$0.7 million for the previous interim period. The basic loss per share for the interim period was 0.9 cents (2017 H1: 0.3 cents).

Administrative expenses totalled US$1.6 million (2017 H1: US$0.3 million). This included a share based payments charge of US$0.9m (2017 H1: nil). Administrative expenses refer principally to staff costs, professional fees and travel costs and underlying administrative expenses which were drastically reduced on the first half of 2017 until company raised new funds and materially advanced its new strategic partner process.

The loss after tax includes a US$0.8 million (2017: US$0.33 million) finance cost associated with the amortisation of the redemption premiums on the Shareholder Loan, totalling US$1.3 million of finance costs to date.

Cash Flows

The net cash outflow from operating activities for the interim period was US$0.7 million (2017 H1: US$0.3 million).

Net cash from investing activities was US$1.2 million (2017: US$0.02 million), mainly relating to an oversubscribed placing of 15,200,000 ordinary shares in the Company at a price of 6.25 pence per ordinary share.

The resulting period end cash held totalled US$1.1 million (2017 H1: US$0.2 million).

Outlook

The Directors have reviewed future cash forecasts, with particular reference to minimum expenditure requirements on the licences and the intended work programme for the Power Project and Ncondezi Coal Mine for 2018, which is focused on concluding a binding exclusivity agreement with a new strategic partner. Based upon projections the current cash reserves will fund overhead expenditure up to the middle of June 2019, subject to the Shareholder Loan being extended or restructured. The Shareholder Loan, which totals $5.1 million, matured on 2 September 2018 and is currently in restructuring negotiations with Lenders which includes a 12 month extension. Lenders have indicated they will not call in the Shareholder Loan whilst the Restructuring is being finalised.

The Directors continue to explore options in respect of raising further funds to continue with the power plant and mine development programmes. At present the Company is in advanced discussions with various parties.

The Group will need to extend, refinance or settle the Shareholder Loan in equity, of which US$0.96 million of the principal was lent by Directors. In addition, further funding will be required to meet liabilities as they fall due after June 2019. This will to a large extent depend on positive progress being made with concluding binding exclusivity agreements with a new strategic partner ahead of this date. The financial statements have been prepared on a going concern basis in anticipation of a positive outcome but it is important to highlight that the negotiations are still at an early stage and that there are no binding agreements in place with no certainty that the Shareholder Loan will be restructured and that additional funding will be raised.

Consolidated statement of profit or loss
for the six months ended 30 June 2018

	Note	**6 months ended 30 June 2018 Unaudited US$'000**	6 months ended 30 June 2017 Unaudited US$'000	Year ended 31 December 2017 Audited US$'000
Other administrative expenses		**(794)**	(324)	(1,051)
Share-based payment charge	8	**(854)**	-	-
Total administrative expenses and loss from operations		**(1,648)**	(324)	(1,051)
Finance expense		**(765)**	(347)	(644)
Loss for the period before taxation		**(2,413)**	(671)	(1,695)
Taxation		**-**	-	-
Loss for the period attributable to equity shareholders of the parent company		**(2,413)**	(671)	(1,695)
Loss per share expressed in cents				
Basic and diluted	2	**(0.9)**	(0.3)	(0.7)

Consolidated statement of other comprehensive income
for the six months ended 30 June 2018

	6 months ended 30 June 2018 Unaudited US$'000	6 months ended 30 June 2017 Unaudited US$'000	Year ended 31 December 2017 Audited US$'000
Loss after taxation	**(2,413)**	(671)	(1,695)
Other comprehensive income:			
Exchange differences on translating foreign operations*	**-**	7	6
Total comprehensive loss for the period	**(2,413)**	(664)	(1,689)

*items that may be reclassified to profit or loss.

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Consolidated statement of financial position
at 30 June 2018

	Note	**30 June 2018 Unaudited US$'000**	30 June 2017 Unaudited US$'000	31 December 2017 Audited US$'000
Assets				
Non-current assets				
Property, plant and equipment	3	**18,284**	18,341	18,313
Total non-current assets		**18,284**	18,341	18,313
Current assets				
Trade and other receivables		**64**	170	83
Cash and cash equivalents		**1,123**	158	614
Total current assets		**1,187**	328	697
Total assets		**19,471**	18,669	19,010
Liabilities				
Current liabilities				
Current tax payable		**-**	2	-
Trade and other payables		**1,834**	1,466	1,018
Loans and borrowings		**3,495**	2,613	3,495
Derivative financial liability	7	**245**	-	107
Total current liabilities		**5,574**	4,081	4,620
Total liabilities		**5,574**	4,081	4,620
Capital and reserves attributable to shareholders				
Share capital	6	**88,450**	86,557	87,384
Foreign currency translation reserve		**-**	1	-
Retained earnings		**(74,553)**	(71,970)	(72,994)
Total capital and reserves		**13,897**	14,588	14,390
Total equity and liabilities		**19,471**	18,669	19,010

Approved on behalf of the Board on 27 September 2018.

Michael Haworth
Non-Executive Chairman

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Consolidated statement of changes in equity
for the six months ended 30 June 2018

	Share capital US$'000	Foreign Currency Translation reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2018	**87,384**	**-**	**(72,994)**	**14,390**
Loss for the period	**-**	**-**	**(2,413)**	**(2,413)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**
Total comprehensive loss for the period	**-**	**-**	**(2,413)**	**(2,413)**
Issue of shares	**1,310**	**-**	**-**	**1,310**
Costs associated with issue of shares	**(244)**	**-**	**-**	**(244)**
Equity settled share based payments	**-**	**-**	**854**	**854**
At 30 June 2018 (Unaudited)	**88,450**	**-**	**(74,553)**	**13,897**

	Share capital US$'000	Foreign Currency Translation reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2017	86,557	(6)	(71,299)	15,252
Loss for the period	-	-	(671)	(671)
Other comprehensive loss for the period	-	7	-	7
Total comprehensive loss for the period	-	7	(671)	(664)
At 30 June 2017 (Unaudited)	86,557	1	(71,970)	14,558

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

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Consolidated statement of cash flows
for the six months ended 30 June 2018

	6 months to 30 June 2018 Unaudited US$'000	6 months to 30 June 2017 Unaudited US$'000	Year ended 31 December 2017 Audited US$'000
Cash flow from operating activities			
Loss before taxation	**(2,413)**	(671)	(1,695)
Adjustments for:			
Finance expense	**765**	347	644
Share based payments charge	**854**		
Unrealised foreign exchange movements	**-**	(68)	3
Gain on disposal of fixed assets	**-**	(64)	(89)
Deferred payroll costs capitalised to Shareholder Loan	**-**	158	132
Depreciation and amortization	**34**	43	78
Net cash flow from operating activities before changes in working capital	**(760)**	(255)	(927)
Decrease/(increase) in inventory	**-**	2	2
Increase in payables	**29**	81	13
(Increase)/decrease in receivables	**19**	(82)	5
Net cash flow used in operating activities before tax	**(712)**	(254)	(907)
Income taxes paid	**-**	-	-
Net cash flow used in operating activities after tax	**(712)**	(254)	(907)
Investing activities			
Sales of property plant and equipment	**-**	97	133
Power development costs capitalized	**-**	(31)	(48)
Mine exploration and evaluation costs capitalised	**(5)**	(2)	(3)
Net cash flow used in investing activities	**(5)**	64	82
Financing activities			
Issue of ordinary shares	**1,310**		987
Cost of share issue	**(84)**		(50)
Bank charges	**-**	(4)	-
Short term loan	**-**	200	350
Net cash flow from financing activities	**1,226**	196	1,287
Net increase in cash and cash equivalents in the period	**509**	6	462
Cash and cash equivalents at the beginning of the period	**614**	152	152
Cash and cash equivalents at the end of the period	**1,123**	158	614

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, International Accounting Standards and Interpretations (collectively "IFRS") 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 2018.

The consolidated interim financial statements for the period 1 January 2018 to 30 June 2018 are unaudited and incorporate unaudited comparative figures for the interim period 1 January 2017 to 30 June 2017 and extracts from the audited financial statements for the year to 31 December 2017. 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 2017 Annual Report. The comparative financial information for the year ended 31 December 2017 in this interim report does not constitute statutory accounts for that year. The auditors' report on those accounts was unqualified and included an emphasis of matter drawing attention to the importance of disclosures made in the annual report regarding going concern.

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

As at 26 September 2018 the Group had cash reserves of approximately US$0.8 million. Based upon projections the current cash reserves will fund cash flow requirements until the middle of June 2019, subject to the Shareholder Loan being extended or restructured.

The Shareholder Loan matured on 2 September 2018, however Ncondezi has received written "in principle" support from all Lenders to enter the Restructuring. Documentation for the Restructuring has been submitted to Lenders and is in the process of being finalised.

The financial statements have been prepared on a going concern basis in anticipation of a positive outcome but it is important to highlight that there are no binding agreements in place and there can be no certainty that the Shareholder Loan will be restructured.

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

2. 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.

Share incentives were outstanding at the end of the period that could potentially dilute basic earnings per share in the future. However, due to losses incurred during the current period, the impact of these incentives would not be dilutive.

	Unaudited 30 June 2018			Unaudited 30 June 2017			Audited 31 December 2017		
	Loss US$'000	**Weighted average number of shares (thousands)**	**Per share amount (cents)**	Loss US$'000	Weighted average number of shares (thousands)	Per share amount (cents)	Loss US$'000	Weighted average number of shares (thousands)	Per share amount (cents)
Basic and diluted EPS	**(2,413)**	**270,346**	**(0.9)**	(671)	250,299	(0.3)	(1,695)	253,349	(0.7)

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3. Property, plant and equipment

	Power assets US$'000	Mining assets US$'000	Buildings US$'000	Plant and Equipment US$'000	Other US$'000	Total US$'000
Cost						
At 1 January 2018	**9,437**	**7,654**	**1,399**	**42**	**718**	**19,250**
Additions	**-**	**5**	**-**	**-**	**-**	**5**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
At 30 June 2018	**9,437**	**7,659**	**1,399**	**42**	**718**	**19,255**
Cost						
At 1 January 2017	-	7,651	1,736	446	718	10,551
Additions	31	2	-	-	-	33
Disposals	-	-	(152)	(419)	-	(571)
Reclassified from non-current assets held for sale (note 4)	9,389	-	-	-	-	9,389
At 30 June 2017	9,420	7,653	1,584	27	718	19,402
Cost						
At 1 January 2017	-	7,651	1,736	446	718	10,551
Additions	48	3	-	-	-	51
Disposals	-	-	(337)	(404)	-	(741)
Transfer to held for sale	9,389	-	-	-	-	9,389
At 31 December 2017	9,437	7,654	1,399	42	718	19,250
Depreciation						
At 1 January 2018	**-**	**-**	**190**	**29**	**718**	**937**
Depreciation charge	**-**	**-**	**34**	**-**	**-**	**34**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
At 30 June 2018	**-**	**-**	**224**	**29**	**718**	**971**
At 1 January 2017	-	-	432	406	718	1,556
Depreciation charge	-	-	35	8	-	43
Disposal	-	-	(134)	(404)	-	(538)
At 30 June 2017	-	-	333	10	718	1,061
At 1 January 2017	-	-	432	406	718	1,556
Depreciation charge	-	-	70	8	-	78
Disposal	-	-	(312)	(385)	-	(697)
At 31 December 2017	-	-	190	29	718	937
Net Book value 30 June 2018	**9,437**	**7,659**	**1,175**	**13**	**-**	**18,284**
Net Book value 30 June 2017	9,420	7,653	1,251	17	-	18,341
Net Book value 31 December 2017	9,437	7,654	1,209	13	-	18,313

4. Asset classified as held for sale

On the 26 May 2017 the Group reclassified the 'Non-current asset held for sale' to Property, plant and equipment as the transaction with SEP was no longer considered to meet the criteria of IFRS 5. The asset reclassified totalled US$9.4 million from PPE held at net book value which is below fair value less cost to sell.

Given the recently signed NBO with CMEC and GE is still in early stages with significant conditions required to be met for completion, the IFRS 5 criteria are not considered to be met and hence the Power assets remains reclassified as PPE.

5. Short term loan

	30 June 2018 Unaudited US$'000	30 June 2017 Unaudited US$'000	31 December 2017 Audited US$'000
Short term loan (unsecured)	**3,495**	2,625	3,495
Unamortised related costs	**-**	(12)	-
Total Short term loan	**3,495**	2,613	3,495

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

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

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

On 23 June 2017, the Company entered into an amendment to the Shareholder Loan with an additional funding of US$350,000 ("Additional Funding"). The Additional Funding was committed by the Chairman, Michael Haworth, (US$200,000) and other existing long term shareholders (US$150,000). The Additional Funding carries a 1.25 times return and was due to mature on 2 September 2017. The Additional Funding has subsequently been extended to 2 September 2018 with no additional return.

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

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

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

Net financial cost for the period in relation to the short term loan was US$787,000 (H1 2017: US$331,000).

As at 30 June 2018, a total of US$2,774,545 has been drawn down under the total Shareholder Loan, this includes US$232,000 deferred salaries, and the repayment amount will be US$5,054,591.

Accrued interest is recorded in other payables.

On 30 August 2018 Ncondezi has received "in principle" support from all loan holders to enter the Shareholder Loan restructuring proposal as announced on 10 August 2018. Documentation for the Restructuring has been submitted to Lenders and is in the process of being finalised. All Lenders have indicated that they will not call in the Shareholder Loan whilst the Restructuring is being finalised. The Shareholder Loan matured on 2 September 2018.

6. Share capital

Number of shares	**6 months to 30 June 2018 Unaudited**	6 months to 30 June 2017 Unaudited	Year ended 31 December 2017 Audited
Allotted, called up and fully paid			
Ordinary shares of no par value	**281,849,844**	250,299,844	265,299,844

Unaudited	**Shares issued Number**	**Share Capital US$'000**
At 1 January 2018	**265,299,844**	**87,384**
Issue of shares	**16,550,000**	**1,310**
Issue costs	**-**	**(244)**
At 30 June 2018	**281,849,844**	**88,450**

Unaudited	Shares issued Number	Share Capital US$'000
At 1 January 2017	250,299,844	86,557
At 30 June 2017	250,299,844	86,557

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

7. Warrants

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

The fair value of the 1,520,000 warrants on the grant date 11 June 2018 was US$159,928. On initial recognition the warrants' cost was deducted from share capital balance as it represents the cost of issuing shares. These warrants were valued at US$123,250 at 30 June 2018, with the decrease change of fair value of US$36,678 recognised through profit or loss.

The changes in fair value of existing 1,500,000 warrants from 20 October 2017 are recognised through profit or loss in 2017. These warrants were valued at US$122,124 at 30 June 2018, US$106,558 at 31 December 2017, with the increase change of fair value of US$15,566 recognised through profit or loss.

8. Share based payments

On 25 May 2018, as part of the Company's management incentive scheme, the Company granted share options in respect of 22,897,522 shares in the Company to its directors, executive senior management team and contracted personnel representing 8.2% of the issued share capital of the Company.

Of the options granted, 61% are performance related and linked to delivery of specific milestones, 17% are in lieu of director remuneration and the balance of 22% is in lieu of deferred payments to senior management, ex-employees and consultants. In addition, 5,100,000 of the options will be satisfied through the Employee Benefit Trust, and are non-dilutive to existing shareholders.

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

The fair value of the equity instrument was measured using the Black-Scholes model. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. A share base payment charge of US$854,000 was recognised in period in relation to these options.

9. Related party transactions

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

In relation to the Shareholder Loan as at 30 June 2018 US$671,591 (2017: US$671,591) was drawn by a Trust of which Non-Executive Chairman, Michael Haworth, is a potential beneficiary. US$185,864 (2017: US$185,864) was drawn by a former Director, Christiaan Schutte and US$55,011 (2017: US$55,011) from Director, Estevão Pale.

Christiaan Schutte
During the period US$14,200 (H1 2017: US$5,000) was paid to CPS Consulting in respect of services provided by Christiaan Schutte. There was an outstanding balance of US$3,700 at 30 June 2018 (2017: Nil).

There is no ultimate controlling party.

10. Events after the reporting period

On 10 August 2018 the Company announced the Restructuring. The proposal includes the following amendments to the existing Shareholder Loan agreements:

- 12 month extension
- 12% interest rate, paid at maturity. Represents 52% reduction over previously agreed rates
- Ability for Lenders to swap debt for equity in part or in full at a conversion price of 10.0p per share, representing a premium of 33% to the closing share price on 9 August 2018 (conditional on shareholder approval)
- Ability for Ncondezi to redeem the Shareholder Loan before maturity in full or in part.

On 30 August 2018, the Company had received “in principle” support from all Lenders to enter into the Restructuring:

- Documentation for the Restructuring has been submitted to Lenders and is in the process of being finalised.
- All Lenders have indicated that they will not call in the Shareholder Loan whilst the Restructuring is being finalised. The Shareholder Loan matured on 2 September 2018.
- Company Chairman, Michael Haworth, Non-Executive Director, Estevao Pale and former Non-Executive Director Christiaan Schutte signed irrevocable commitments on 29 August 2018 to enter into the Restructuring on terms agreed by the other Lenders.
- The Restructuring is subject to the Lenders agreeing to the documentation, as well as shareholder approval for the necessary share authorities to undertake a contemplated debt for equity swap in relation to the Shareholder Loan.
- Restructuring documentation to be finalized is expected to be received by the end of October 2018.

Company details

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