NCONDEZI ENERGY

www.ncondezienergy.com

# NEWS RELEASE

## Interim Results for the six months ended 30 June 2019

26 September 2019: Ncondezi Energy Limited ("Ncondezi", the “Company” or the “Group”) (AIM: NCCL) announces its interim results for the six months ended 30 June 2019.

**Project Highlights:**

- Approval from Mozambique Government led Liaison Committee of updated work programme and timetable for the Company’s integrated 300MW power and coal mine project in Tete Mozambique (the “Project”), targeting power on the grid by 2023.
- China Machinery Engineering Corporation (“CMEC”) and General Electric Switzerland Gmbh (“GE”) (together the “Parties”) confirmed the process to conclude the Joint Development Agreement (“JDA”) for the Project.
- Company joined Mozambique government delegation to the Second Belt and Road Forum in Beijing, China and held successful meetings with His Excellency Mr Filipe Nyusi, President of the Republic of Mozambique, the Governor of Tete and the Deputy Minister of Ministry of Mineral Resources and Energy (“MIREME”).

**Solar Project**

- Term sheet agreed to enter into a Joint Venture (“JV”) with GridX Africa Development (“GridX”), an African power developer, focused on building and operating captive solar and battery storage solutions for the African Commercial and Industrial (“C&I”) sector.

**Financial Highlights:**

- Successful fund raising of £1.88m (US$2.38 million) to finance general working capital, definitive agreements to finalise JV with GridX and potentially fund the first project C&I project.
- Total of US$935,000 of the Shareholder Loan converted into equity at a price of 10 pence per share and 7,193,328 new ordinary shares were issued.
- Exercise of 1,000,000 warrants at a subscription price of 5 pence per share raised a total of £50,000.
- Issue of 1,000,000 new ordinary shares of no par value on exercise of 1,000,000 nil price share options which were vested at grant on 25 May 2018.
- Cash at bank of US$1.5 million (as at 23 September 2019).

**Post period end events:**

- Binding JDA signed with the Parties to co-develop and construct the Project.
- A further US$409,000 of the Shareholder Loan converted into equity at a price of 10 pence per share and 3,144,485 new ordinary shares were issued.
- Exercise of 1,500,000 warrants at a subscription price of 5 pence per share raising a total of £75,000.

**Financial highlights:**

| | **6 months to 30 June 2019 US$'000** | 6 months to 30 June 2018 US$'000 |
|---|---|---|
| Loss for the period | **(1,260)** | (2,413) |
| Loss per share – cents | **(0.4)** | (0.9) |
| Cash at bank (including restricted cash) | **1,790** | 1,123 |

## Enquiries

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

| | | |
|---|---|---|
| Ncondezi Energy: | Hanno Pengilly | +27 (0) 71 362 3566 |
| Liberum Capital Limited: NOMAD & Joint Broker | Andrew Godber, Edward Thomas, Kane Collings | +44 (0) 20 3100 2000 |
| Novum Securities Limited Joint Broker | Colin Rowbury | +44 (0) 20 7399 9427 |

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

**Ncondezi** is an emerging African power development company which owns 100% of the 300MW Ncondezi Coal Power Project which is one of the most advanced development power project's in Mozambique. The project is strategically located in the Tete Province in northern Mozambique, a power generating hub that distributes power across the region. The Company is targeting delivery of first power onto the Mozambican grid by 2023 through a 25 year offtake agreement to meet existing demand.

Ncondezi has also entered the captive solar and battery storage sector through a proposed Joint Venture with GridX Africa Development, to develop, build and operate power solutions for the African Commercial and Industrial sector.

## Chairman's Statement

Dear Shareholder,

The first half of the 2019 financial year has been focused on the delivery of a binding JDA with the Parties for the co-development and construction of the Company's integrated 300MW power and coal mine project, which was successfully concluded in late July 2019.

This project supports Mozambique's energy strategy of universal electricity access by 2030 –according to World Bank, only 30% of the population had access to energy in 2017. The Ncondezi power plant, located in Tete province, once constructed is expected to provide reliable and available power helping to close the infrastructure gap of the region and serving as a catalyst for economic development. The power plant will be equipped with state-of-the-art emissions controls technologies that will reduce local air pollutants, minimizing the plant impact on the environment and ensuring its compliance with the most stringent emission standards.

The JDA is a major milestone for the Company, representing a material de-risking event, enhancing the Project's credibility and setting a clear pathway to closing out project investment and financing.

From a commercial perspective, the JDA confirms that Ncondezi is expected to maintain a 40% equity interest in the Project at Financial Close ("FC") and is expected to receive a reimbursement of historical development costs and payment of a subscription price for the 60% equity share. It is expected that the historical development costs and subscription price will be agreed between the parties before the PPA and PCA are finalised, subject to government and lender approvals, and will likely be allocated towards the Company's 40% equity contribution at FC. Further details of the JDA are set out below.

Following the JDA signing, the Company and the Parties have begun a detailed review of the Project programme and timetable with a focus on the next value enhancing milestones, namely finalisation of the Project power tariff, Power Purchase Agreement ("PPA") and Power Concession Agreement ("PCA"). A Steering Committee has been setup to manage this process.

The next major milestone for the Project is confirmation of a tariff offer with Electricity de Mozambique ("EDM"). The first step in this process is to elevate the existing tariff proposal (submitted to EDM in 2018) to a firm offer, which will require updated Engineering, Procurement and Construction ("EPC") and Operations and Maintenance ("O&M") inputs. Upon receipt of the EPC and O&M inputs, the Project financial model can be updated and a revised tariff proposal submitted. This process is expected to be completed in Q4 2019. The Company is confident that the existing tariff proposal is both attractive and competitive in Mozambique and is working to update the tariff. Once submitted, the Company expects to enter negotiations with EDM to finalise a tariff offer for 100% of the Project power output, which the Company is targeting for Q1 2020. The Company believes that its experience in previously agreeing a tariff offer with EDM (since expired) puts it in a good position for the upcoming negotiation process. Once approved, the tariff offer will confirm the project economics and viability, allowing the development process to focus on finalising the PPA and PCA. The Company is currently fully funded to deliver on these work streams.

With a more detailed project development programme and work streams unfolding, more resources have been allocated to the Project. To ensure that the Company can maintain development momentum alongside its partners, the Board is carrying out a review of the current management team structure to asses where it can be strengthened.

In addition to the main Ncondezi Project, in April 2019 the Company announced its intention to enter the solar and battery storage sector through a JV with GridX. The JV process has been designed to allow proof of concept work to be completed first, reducing uncertainty as much as possible, with an opportunity to scale up in the future. The Company believes this brings significant opportunity to complement its existing large scale baseload power project and access near-term low risk annuity income streams which the Company believes has significant growth potential. GridX has presented the first project for investment approval, which the Company is currently reviewing.

As at 23 September 2019, the Shareholder Loan repayment amount due on 30 November 2019 will be US$4.1 million which includes principal, rolled up premiums under the previous loans and interest not taking into consideration further conversions. Since the successful restructuring in November 2018, over US$1.3 million of debt has been converted into equity at a price of 10p, representing a significant premium to the share price. The Company intends to either extend, restructure or refinance the outstanding loan before maturity and has initiated discussions with the holders of the Shareholder Loan. The Company is confident of a positive outcome as there is significant alignment between the loan holders and the major shareholder and senior management of the Company with 87% of the loan outstanding held between Africa Finance Corporation ("AFC") (the Company's largest shareholder), the Board and senior management. However, discussions are at an early stage and there can be no certainty that the holders of the Shareholder Loan will agree to an extension or restructure or the terms on which they will agree to do so.

As at 23 September 2019, the Company had cash reserves of approximately US$1.5 million. Based upon projections, which are subject to the Shareholder Loans being converted, extended or restructured, the Group will be funded until Q3 2020. The Company is currently reviewing a potential investment in a GridX solar battery project, however there is currently nothing binding in place. Should the Company elect to make an investment, it will explore all options available to it to ensure cash reserves are prioritised for the immediate funding needs of the main Project.

**Michael Haworth**
Non-Executive Chairman

## Operational and Financial Review

Ncondezi is focused on the phased development of an integrated coal fired power plant and mine, commencing with 300MW first phase. The Project is located near Tete in northern Mozambique.

Ncondezi has also agreed to enter the captive solar and battery storage sector through a proposed JV with GridX, to develop, build and operate power solutions for the African C&I sector.

### Joint Development Agreement

As per the announcement on 23 July 2019, the Company signed a JDA with the Parties. A Project Steering Committee has been setup under the terms of the JDA and the parties are currently finalising a detailed joint development programme and timetable to FC. The next key deliverables with target delivery dates are highlighted below:

- Technical team site visits and final due diligence– Q4 2019
- Submission of updated EPC and O&M proposals – Q4 2019
- Update the Project Financial model and power tariff – Q4 2019
- Finalise tariff offer with EDM – H1 2020
- Finalisation of Ncondezi historic costs – Q2-Q3 2020
- Finalisation of subscription price – Q2-Q3 2020
- Finalise PPA and PCA – Q2-Q3 2020

A more detailed update will be provided to shareholders once work programme and timetable has been signed off by all parties.

### Approval of Project timetable

In February the Company announced that it had concluded positive meetings with the Liaison Committee, setup and chaired by MIREME, where the updated Project work program and timetable targeting power on the grid by 2023 was presented and approved. The approval also confirmed the development process to finalise the PPA and PCA with Government and EDM.

### Second Belt and Road Forum for International Cooperation

In April Ncondezi joined the Mozambique government delegation in Beijing, China, for the Second Belt and Road Forum for International Cooperation. During the visit, Ncondezi held successful meetings with His Excellency Mr Filipe Nyusi, President of the Republic of Mozambique, the Governor of Tete and the Deputy Minister of MIREME. The meetings focused on the current status of the Project and critical next steps, including the signing of the JDA. The Mozambican Government re-emphasised the importance of new energy generation in the country's strategic planning and provided its support for the Project, encouraging the Company and the Parties to continue working to deliver the Project. Follow up meetings with the Mozambican Government will be targeted post execution of the JDA.

### China Mozambique International Cooperation Summit

In the first half of 2019, the Project was formally included by the Chinese government and the Mozambique government on the list of key infrastructure projects at the 2nd China-Mozambique International Cooperation Summit. This has provided greater awareness of the Project within both Governments as well as ensuring it forms part of strategic infrastructure planning and investment between both countries. The Company has been requested to provide monthly updates as part of this process.

**Joint Venture with GridX**

In April 2019, the Company announced that it entered into the Term Sheet with GridX, an African power developer, enabling it to enter into a JV focused on building and operating captive solar and battery storage solutions for the African C&I sector.

*Background to the GridX JV*

Since Ncondezi transitioned from a coal exploration business into an integrated power plant and mine project, the Company has built up significant Sub-Saharan African power development expertise and has been evaluating a number of alternative power projects that would complement its existing 300MW Ncondezi Project in Tete, Mozambique. This process led to the identification of the GridX opportunity in the C&I sector and is outlined in more detail below.

*Overview of GridX*

GridX is a power developer focused on delivering competitive sustainable energy solutions in the African C&I sector. GridX identifies C&I energy users who have either no or poor quality grid access and are dependent on diesel power generation.

In January 2019, GridX delivered its first project in Tanzania. The project was designed for Singita Grumeti, a luxury game lodge, and involved the installation of a 189 kWp solar plant and 522kWh battery storage unit from Tesla. The battery storage unit is believed to be the first Tesla installation in Tanzania. GridX expects that the project will replace over 100,000 litres of diesel consumption annually and result in an annual US$150,000 reduction in diesel costs.

GridX's directors own 70% of GridX, 15% is held by Eden Renewables, an international solar and storage development company, currently developing projects in the US and UK, 10% by Pan African Group, a private equity and investment banking firm focused exclusively on Sub-Saharan Africa, and the balance of 5% is held by a private individual. GridX was founded by executive directors Chalker Kansteiner and Justin Pengilly, who have both been working in the African power development sector for a number of years. Chalker was previously at Blackstone's large scale African energy project developer, Black Rhino, whilst Justin previously worked at Pele Green Energy, one of South Africa's leading independent power producers in the renewable energy sector (and is the brother of Hanno Pengilly, the Company's Chief Development Officer).

*Term Sheet Overview*

Ncondezi has signed a Term Sheet with GridX to acquire a ROFR to fund GridX C&I projects through a newly setup JV.

It is intended that GridX's role under the JV will be to deliver US$20 million of construction ready African C&I projects to the JV (the "GridX Pipeline"). Each project must either meet a minimum set of KPI's or have the KPI's waived by both parties before funding takes place ("Approved Project"). Ncondezi will have the right to elect to fund a minimum of at least 50% of the Approved Projects' equity requirement. Funding from Ncondezi will be provided on a project by project basis. GridX will have the right to fund up to 15% of the Approved Projects' equity requirement as well as a right to introduce a third party investor to fund the remaining 35%. Ncondezi will have an additional right to elect to fund any funding shortfalls should funding from either GridX or a third party investor not materialise, in the event that Ncondezi wishes the project to proceed.

The key KPI’s include:

- projects located in approved jurisdictions;
- project size between US$100,000 and US$10,000,000;
- minimum post tax unlevered equity IRR of 10% to the JV;
- use of proven technologies;
- bankable offtake denominated in US$;
- completion of credit checks on potential clients with additional credit support in place where required;
- finalised EPC and O&M contracts in place; and
- all consents and permits required to start construction are in place.

The Term Sheet sets out a phased approach to setting up the JV and funding projects:

1. Phase I
   Ncondezi has made an upfront payment of 2/3rds of the GridX Fee of US$390,000 to GridX on 24 April 2019 to secure an initial 120 day exclusivity and the ROFR for the GridX Pipeline to give both parties time to agree Definitive Agreements. GridX will use funds of US$260,000 (the “Initial Payment”) to cover third party legal, structuring and tax advice costs to setup the JV and draft the Definitive Agreements to be entered into between the parties.

2. Phase II
   Payment of the Initial Payment will give Ncondezi a ROFR to fund at least 50% of the equity requirement of any Approved Projects. Whilst the Definitive Agreements are being finalised and to facilitate delivery of the first projects, Ncondezi has conditionally agreed to evaluate funding of the 6 advanced stage projects with a total funding of up to US$2.0 million on a combined project basis. Ncondezi has the right to elect whether to fund such projects before the Definitive Agreements are entered into (the “Initial Investments”).

3. Phase III
   A final payment of 1/3rd of the GridX Fee is due on the later of execution of the Definitive Agreements or the first project reaching commercial operations. The Definitive Agreements will create a clear framework for making future investments and the management of the portfolio of operational projects.

The phased approach allows the Company and GridX to deliver certain projects (subject to available funding) before finalisation of the Definitive Agreements demonstrating proof of concept, and the setup of the appropriate investment vehicle to warehouse all of the future projects before additional funding is considered for the rest of the portfolio.

The JV investment structure will be designed to optimise warehousing of Approved Projects in various African jurisdictions; minimising operational costs and minimising tax leakage. GridX will be responsible for the JV setup costs. Before the Definitive Agreements have been executed, the parties intend to agree a simple special purpose vehicle funding structure for Approved Projects, with the intention that these projects will be incorporated into the JV structure at a later stage.

As part of its ordinary course business as a developer, GridX is expected to be entitled to a capped development fee for each Approved Project, included as part of the project capital cost. Ncondezi will have a right to participate in any development fee for projects it sources that are funded through the JV.

GridX is expected to provide O&M services for each Approved Project in accordance with market-related commercial terms for projects of a similar nature, contracting directly with the power offtaker. GridX is also expected to be appointed to manage the JV for an annual fee of approximately 1.5% drawn project capital. It is expected that the management agreement can be terminated by the Company should GridX fail to meet agreed KPI's.

Certain incentives to encourage GridX to achieve the best returns for each project, will be paid through a profit sharing mechanism where an equity IRR hurdle of above 10% is achieved by Ncondezi.

*Exclusivity and Right of First Refusal*

Following payment of the Initial Payment, Ncondezi has exclusivity and a ROFR for 120 days to conclude and execute the Definitive Agreements, subject to it electing to fund any initial projects presented during this period which meet the KPI's (up to a maximum of US$2.0 million in aggregate).

This was automatically extended for up to an additional 180 days as the Definitive Agreements have not been executed. This extension is conditional on Ncondezi electing to fund all Approved Projects as they become available for funding during the first period of exclusivity (up to a maximum of US$2.0 million in aggregate) and continues to fund at least 50% of all projects presented during this 180 day period which meet the KPI's.

After this second period of exclusivity, if the Definitive Agreements remain unexecuted, but Ncondezi continues to fund at least 50% of all projects presented during this period which meet the KPI's, Ncondezi has a right to match any project funding for a further 180 days.

If the Term Sheet is terminated by either party during the initial 120 day exclusivity period or in the 180 days after that, provided that the second 180 day extension to the exclusivity period is not triggered, GridX will refund US$100,000 of the Initial Payment to Ncondezi.

Following execution of the Definitive Agreements and the first project being successfully commissioned, it is expected that Ncondezi's ROFR will allow it to accept or reject funding of Approved Projects, however there are limits to the number of rejections Ncondezi can give and it will no longer have a ROFR if it exceeds these limits over a 6 to 12 month period.

It is emphasised that notwithstanding that it has agreed the Term Sheet there can be no certainty that Ncondezi will elect to fund any projects in order to maintain ROFR during the exclusivity period, that it will agree the terms on which any such investments will be made or agree the definitive documentation for the JV.

**Shareholder Loan**

On 16 November 2018, the Company announced that a formal agreement to amend the US$ 5.1 million Shareholder Loan (the "Loan") had been reached (the "Loan Restructuring") with loan holders the key terms of which are detailed below.

*2018 Loan Restructuring Amended terms*

1. Loan Repayment Date:

   The Loan term has been extended from 2 September 2018 to 30 November 2019.

2. Interest:

   Interest on the outstanding Loan amount shall accrue from 15 November 2018 at the rate of 12% per annum payable in arrears on the earlier of conversion into equity or repayment of the Loan (specific to each Lender). Interest shall be calculated on the basis of a 365-day year.
   The interest rate represents a significant reduction in the effective interest rates historically incurred on the Loan e.g. in June 2017, the Company raised an additional US$350,000 at a 1.25x return.

3. Voluntary Prepayment:

   The Company may, at any time prior to 1 November 2019, prepay the whole or any part of the Loan provided that:

   (a) the Company gives the Lenders written notice specifying the aggregate amount the Company wishes to prepay and the specific amount to be paid; and

   (b) the lenders have 3 business days to exercise the First Conversion and give the Company a conversion notice.

4. Debt for Equity Swap:

   For so long as any part of the Loan remains outstanding:

   (a) First Conversion: Lenders shall be entitled to convert all or part of their portion of the Loan (in multiples of US$1,000) into fully paid ordinary shares of the Company at a 10.0p conversion price from the date of this announcement until 1 November 2019 (the “First Conversion”); and

   (b) Second Conversion: if Lenders who are owed (in aggregate) not less than 50.1% of the outstanding principal amount of the Loan from 1 November 2019 until maturity provide a conversion notice to the Company, all amounts outstanding under the Loan shall convert into fully paid ordinary shares of the Company at a conversion price the higher of the 30% discount to the 60 day VWAP at 30 November 2019 or 5.2p (the “Second Conversion”).

The First Conversion price represents a premium of 50% to the closing share price on 15 November 2018, the day before the Loan Restructuring was announced.

The maximum number of shares that can be issued under the First Conversion is 38.9 million new shares.

The Second Conversion is only executable if Lenders representing no less than 50.1% of the outstanding Loan principle at the time elect to convert. This prevents any single Lender from having negative control over a decision to convert. The minimum conversion price represents a discount of 22% to the closing price on 15 November 2018, and restricts the maximum number of shares that can be converted to 84.6 million. The Second Conversion has been agreed to provide Lenders and the Company with an alternative repayment mechanism in the event that the Company has not repaid the Loan during the new term.

The US Dollar to British Pound exchange rate has been fixed for any debt for equity swap at US$1.3 to £1.0.

*Current Status*

As at 23 September 2019, the repayment amount due on 30 November 2019 will be US$4.1 million which includes principal, rolled up premiums under the previous loans and interest not taking into consideration further conversions. To date, conversion notices in relation to 10,337,813 shares have been given since the year end, reducing the Shareholder Loan by US$1,344,00 of principal, rolled up previous redemption premiums and interest.

The Company is currently evaluating options to either extend, restructure or refinance the outstanding loan before maturity and has initiated discussions with Shareholder Loan holders.

## Financial overview

**Results from operations**
The Group made a loss after tax for the period of US$1.3 million compared to a loss of US$2.4 million for the previous interim period. The basic loss per share for the interim period was 0.4 cents (2018 H1: 0.9 cents).

Expenses totalled US$0.9 million (2018 H1: US$1.6 million). This includes US$0.6 million (2018 H1 US$0.8 million) of administrative expenses and US$0.3 million (2018 H1: US$0.8 million) of share-based payment charge. Administrative expenses refer principally to staff costs, professional fees and travel costs and underlying administrative expenses basic related to advancing the integrated power and mining project.

During the period as part of the JV with GridX, US$0.3 million expenditure was capitalised in relation to exclusivity and the ROFR for the GridX Pipeline.

**Cash Flows**
The net cash outflow from operating activities for the interim period was US$0.5 million (2018 H1: US$0.7 million).
Net cash outflow from investing activities was US$0.3 million (2018: US$0.05 million) related to investment on JV with GridX.
Net cash inflow from financing activities was US$2.2 million (2018: US$1.2 million), mainly relating to an oversubscribed placing of 28,856,060 ordinary shares in the Company at a price of 6.5 pence per ordinary share.
The resulting period end cash held totalled US$1.8 million (2018 H1: US$1.1 million).

**Outlook**
As at 23 September 2019 the Group had cash reserves of approximately US$1.5 million. Based upon projections, which are subject to the Shareholder Loans being converted, extended or restructured and include corporate costs, project costs to progress the Project, the Group will be funded until Q3 2020. The company is currently reviewing a potential investment in a GridX solar battery project, however there is currently nothing binding in place. Should the Company elect to make an investment, it will explore debt options available to it to ensure cash reserves are prioritised for the immediate funding needs of the main Project. However, the forecasts remain subject to the Shareholder Loan being extended or restructured. The outstanding Shareholder Loan balance will be US$4.1 million (principal, historic redemption premium and interest not considering further conversions) and matures on 30 November 2019. The Company is currently evaluating options to either extend, restructure or refinance the outstanding loan before maturity and has initiated discussions with Shareholder Loan holders.

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

In addition, notwithstanding the Loan, further funding will be required as detailed above to meet operating cash flows under current forecasts beyond Q3 2020 or in the event of accelerated project advancement. The Directors are exploring a number of funding and working capital solutions beyond the 30 November 2019 maturity of the Loan. The financial statements have been prepared on a going concern basis in anticipation of a positive outcome but it is important to highlight that there are no binding agreements in place and there can be no certainty that any of these initiatives will be successful.

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.

## Consolidated statement of profit or loss
**for the six months ended 30 June 2019**

| | Note | **6 months ended 30 June 2019 Unaudited US$'000** | 6 months ended 30 June 2018 Unaudited US$'000 | Year ended 31 December 2018 Audited US$'000 |
|---|---|---|---|---|
| Other administrative expenses | | **(626)** | (794) | (1,461) |
| Share-based payment charge | 7 | **(252)** | (854) | (1,297) |
| **Total administrative expenses and loss from operations** | | **(878)** | (1,648) | (2,758) |
| Finance expense | | **(382)** | (765) | (722) |
| **Loss for the period before taxation** | | **(1,260)** | (2,413) | (3,480) |
| Taxation | | **-** | - | - |
| **Loss for the period attributable to equity shareholders of the parent company** | | **(1,260)** | (2,413) | (3,480) |
| **Loss per share expressed in cents** | | | | |
| **Basic and diluted** | 2 | **(0.4)** | (0.9) | (1.3) |

## Consolidated statement of other comprehensive income
**for the six months ended 30 June 2019**

| | **6 months ended 30 June 2019 Unaudited US$'000** | 6 months ended 30 June 2018 Unaudited US$'000 | Year ended 31 December 2018 Audited US$'000 |
|---|---|---|---|
| **Loss after taxation** | **(1,260)** | (2,413) | (3,480) |
| Other comprehensive income: | | | |
| Exchange differences on translating foreign operations* | **-** | - | - |
| Total comprehensive loss for the period | **(1,260)** | (2,413) | (3,480) |

*items that may be reclassified to profit or loss.

www.ncondezienergy.com

## Consolidated statement of financial position
**at 30 June 2019**

| | Note | **30 June 2019 Unaudited US$'000** | 30 June 2018 Unaudited US$'000 | 31 December 2018 Audited US$'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 3 | **18,239** | 18,284 | 18,272 |
| Investments – JV GridX | | **318** | - | - |
| **Total non-current assets** | | **18,557** | 18,284 | 18,272 |
| **Current assets** | | | | |
| Trade and other receivables | | **34** | 64 | 54 |
| Cash and cash equivalents | | **1,790** | 1,123 | 424 |
| **Total current assets** | | **1,824** | 1,187 | 478 |
| **Total assets** | | **20,381** | 19,471 | 18,750 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | **505** | 1,834 | 481 |
| Loans and borrowings | | **3,793** | 3,495 | 4,182 |
| Derivative financial liability | 6 | **639** | 245 | 845 |
| **Total current liabilities** | | **4,937** | 5,574 | 5,508 |
| **Total liabilities** | | **4,937** | 5,574 | 5,508 |
| **Capital and reserves attributable to shareholders** | | | | |
| Share capital | 5 | **92,104** | 88,450 | 88,796 |
| Retained earnings | | **(76,660)** | (74,553) | (75,554) |
| **Total capital and reserves** | | **15,444** | 13,897 | 13,242 |
| **Total equity and liabilities** | | **20,381** | 19,471 | 18,750 |

Approved on behalf of the Board on 25 September 2019.

**Michael Haworth**
Non-Executive Chairman

## Consolidated statement of changes in equity

**for the six months ended 30 June 2019**

| | Share capital US$'000 | Foreign Currency Translation reserve US$'000 | Retained earnings US$'000 | Total US$'000 |
|---|---|---|---|---|
| At 1 January 2019 | **88,796** | **-** | **(75,554)** | **13,242** |
| Loss for the period | **-** | **-** | **(1,260)** | **(1,260)** |
| Total comprehensive loss for the period | **-** | **-** | **(1,260)** | **(1,260)** |
| Issue of shares | **2,380** | **-** | **-** | **2,380** |
| Costs associated with issue of shares | **(213)** | **-** | **-** | **(213)** |
| Exercise of share options | **98** | **-** | **(98)** | **-** |
| Shareholders Loan conversion into equity | **935** | **-** | **-** | **935** |
| Exercise of warrants | **108** | **-** | **-** | **108** |
| Equity settled share-based payment | **-** | **-** | **252** | **252** |
| At 30 June 2019 (Unaudited) | **92,104** | **-** | **(76,660)** | **15,144** |

| | 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) |
| 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 2018 | 87,384 | - | (72,994) | 14,390 |
| Loss for the period | - | - | (3,480) | (3,480) |
| Total comprehensive loss for the period | - | - | (3,480) | (3,480) |
| Issue of shares | 1,310 | - | - | 1,310 |
| Costs associated with issue of shares | (204) | - | - | (244) |
| Exercise of share options | 306 | | (306) | - |
| Equity settled share-based payments | - | - | 1,226 | 1,226 |
| At 31 December 2018 | 88,796 | - | (75,554) | 13,242 |

## Consolidated statement of cash flows

**for the six months ended 30 June 2019**

| | **6 months to 30 June 2019 Unaudited US$'000** | 6 months to 30 June 2018 Unaudited US$'000 | Year ended 31 December 2018 Audited US$'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Loss before taxation | **(1,260)** | (2,413) | (3,480) |
| Adjustments for: | | | |
| Finance expense | **382** | 765 | 722 |
| Share based payments charge | **252** | 854 | 1,297 |
| Unrealised foreign exchange movements | **1** | - | 2 |
| Gain on disposal of fixed assets | **-** | - | (44) |
| Depreciation and amortization | **33** | 34 | 68 |
| **Net cash flow from operating activities before changes in working capital** | **(592)** | (760) | (1,435) |
| Increase in payables | **24** | 29 | (25) |
| Decrease in receivables | **20** | 19 | 29 |
| **Net cash flow used in operating activities before tax** | **(548)** | (712) | (1,431) |
| Income taxes paid | **-** | - | - |
| **Net cash flow used in operating activities after tax** | **(548)** | (712) | (1,431) |
| **Investing activities** | | | |
| Sales of property plant and equipment | **-** | - | 47 |
| Power development costs capitalized | **-** | - | (25) |
| Mine exploration and evaluation costs capitalised | **-** | (5) | (7) |
| Solar project – JV GridX | **(318)** | - | - |
| **Net cash flow used in investing activities** | **(318)** | (5) | 15 |
| **Financing activities** | | | |
| Issue of ordinary shares | **2,380** | 1,310 | 1,310 |
| Cost of share issue | **(213)** | (84) | (84) |
| Warrants exercised | **65** | - | - |
| **Net cash flow from financing activities** | **2,232** | 1,226 | 1,226 |
| **Net increase in cash and cash equivalents in the period** | **1,366** | 509 | (190) |
| Cash and cash equivalents at the beginning of the period | **424** | 614 | 614 |
| **Cash and cash equivalents at the end of the period** | **1,790** | 1,123 | 424 |

# 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 2019.

The consolidated interim financial statements for the period 1 January 2019 to 30 June 2019 are unaudited and incorporate unaudited comparative figures for the interim period 1 January 2018 to 30 June 2018 and extracts from the audited financial statements for the year to 31 December 2018. 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 2018 Annual Report. The comparative financial information for the year ended 31 December 2018 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 23 September 2019 the Group had cash reserves of approximately US$1.5 million. Based upon projections, which are subject to the Shareholder Loans being converted, extended or restructured and include corporate costs, project costs to progress the Project, the Group will be funded until Q3 2020.

The forecasts remain subject to the Shareholder Loan being extended or restructured. The outstanding balance of the Shareholder Loan of US$4.1 million (principal, historic redemption premium and interest not taking into consideration further conversions) matures on 30 November 2019, and the Company is currently evaluating options to either extend, restructure or refinance the outstanding loan before maturity and has initiated discussions with Shareholder Loan holders. However, there can be no certainty that any of these initiatives will be successful.

The financial statements have been prepared on a going concern basis in anticipation of a positive outcome but it is important to highlight that there are no binding agreements in place.  These 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 2019** | | | Unaudited 30 June 2018 | | | Audited 31 December 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **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** | **(1,260)** | **299,518** | **(0.4)** | (2,413) | 270,346 | (0.9) | (3,480) | 276,187 | (1.3) |

## 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 2019** | **9,462** | **7,661** | **1,277** | **35** | **718** | **19,153** |
| **Additions** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Disposals** | **-** | **-** | **-** | **-** | **-** | **-** |
| **At 30 June 2019** | **9,462** | **7,661** | **1,277** | **35** | **718** | **19,153** |
| | | | | | | |
| 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 2018 | 9,437 | 7,654 | 1,399 | 42 | 718 | 19,250 |
| Additions | 25 | 7 | - | - | - | 32 |
| Disposals | - | - | (122) | (7) | - | (129) |
| At 31 December 2018 | 9,462 | 7,661 | 1,277 | 35 | 718 | 19,153 |
| | | | | | | |
| **Depreciation** | | | | | | |
| **At 1 January 2019** | **-** | **-** | **139** | **24** | **718** | **881** |
| **Depreciation charge** | **-** | **-** | **33** | **-** | **-** | **33** |
| **Disposals** | **-** | **-** | **-** | **-** | **-** | **-** |
| **At 30 June 2019** | **-** | **-** | **172** | **24** | **718** | **914** |
| | | | | | | |
| At 1 January 2018 | - | - | 190 | 29 | 718 | 937 |
| Depreciation charge | - | - | 34 | - | - | 34 |
| Disposals | - | - | - | - | - | - |
| At 30 June 2018 | - | - | 224 | 29 | 718 | 971 |

| | | | | | | |
|---|---|---|---|---|---|---|
| At 1 January 2018 | - | - | 190 | 29 | 718 | 937 |
| Depreciation charge | - | - | 67 | 1 | - | 68 |
| Disposal | - | - | (118) | (6) | - | (124) |
| At 31 December 2018 | - | - | 139 | 24 | 718 | 881 |
| | | | | | | |
| **Net Book value 30 June 2019** | **9,462** | **7,661** | **1,105** | **11** | **-** | **18,239** |
| Net Book value 30 June 2018 | 9,437 | 7,659 | 1,175 | 13 | - | 18,284 |
| Net Book value 31 December 2018 | 9,462 | 7,661 | 1,138 | 11 | - | 18,272 |

## 4. Short term loan

| | **30 June 2019 Unaudited US$'000** | 30 June 2018 Unaudited US$'000 | 31 December 2018 Audited US$'000 |
|---|---|---|---|
| Short term loan (unsecured) | **3,793** | 3,495 | 4,182 |
| Unamortised related costs | **-** | - | - |
| **Total Short term loan** | **3,793** | 3,495 | 4,182 |

On 16 November 2018 the Shareholder Loan was modified with the maturity date extended to 30 November 2019 and an interest coupon of 12%. Under the terms the lenders have the right to convert the loan into equity as follows:

(a) First Conversion: lenders shall be entitled to convert all or part of their portion of the Loan (in multiples of $US1,000) into fully paid ordinary shares of the Company at a 10.0p conversion price from the date of this announcement until 1 November 2019; and

(b) Second Conversion: if Lenders who are owed (in aggregate) not less than 50.1% of the outstanding principal amount of the Loan from 1 November 2019 until maturity provide a conversion notice to the Company, all amounts outstanding under the Loan shall convert into fully paid Ordinary Shares of the Company at a conversion price the higher of the 30% discount to the 60 day VWAP at 30 November 2019 or 5.2p.

At the date of the restructuring the carrying value of the previous loans was US$5.1 million and the loan was extinguished and replaced with the convertible loan notes. The fair value of the new instrument was determined to be equivalent to the fair value of the old instrument, with no gain or loss being recognised on extinguishment. The potential issuance of a variable number of shares meant the instrument was treated as a host debt liability with a separate embedded derivative representing the conversion right. The embedded derivative was valued at US$1.0 million and the residual attributed to the host debt liability. Subsequently the host debt liability has been recorded at amortised cost and interest recorded at the effective interest rate and the embedded derivative recorded at fair value through profit and loss.

As at 30 June 2019, a total of US$935,000 of the Shareholder Loan was converted into equity at a price of 10 pence per share, and 7,193,328 were issued.

Net financial cost for the period in relation to short term loan was US$370,000 (H1 2017: US$787,000).

In the prior year, interest accrued on the short-term loan was recognised as a separate payable in accruals. However since the date of the restructuring, the interest accrued is being recognised within the short term loan balance itself.

## 5. Share capital

| Number of shares | **6 months to 30 June 2019 Unaudited** | 6 months to 30 June 2018 Unaudited | Year ended 31 December 2018 Audited |
|---|---|---|---|
| **Allotted, called up and fully paid** | | | |
| Ordinary shares of no par value | **320,349,232** | 281,849,844 | 282,299,844 |

| **Unaudited** | **Shares issued Number** | **Share Capital US$'000** |
|---|---|---|
| **At 1 January 2019** | **282,299,844** | **88,796** |
| Issue of shares | **28,856,060** | **2,380** |
| Costs associated with issue of shares | **-** | **(213)** |
| Exercise of share options | **1,000,000** | **98** |
| Shareholders Loan conversion into equity | **7,193,328** | **935** |
| Exercise of warrants | **1,000,000** | **108** |
| **At 30 June 2019** | **320,349,232** | **92,104** |

| 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 |

| Audited | Shares issued Number | Share Capital US$'000 |
|---|---|---|
| At 1 January 2018 | 265,299,844 | 87,384 |
| Issue of shares | 15,200,00 | 1,310 |
| Issue of shares (exercised share awards) | 1,800,000 | 306 |
| Issue costs | - | (204) |
| At 31 December 2018 | 282,299,844 | 88,796 |

## 6. Derivative financial liability

| | **2019 US$'000** | 2018 US$'000 |
|---|---|---|
| Warrants | **108** | 138 |
| Loan derivative | **531** | 707 |
| | **639** | 845 |

**Warrants**

During the period 1,000,000 warrants issued in June 2018, were exercised resulting in a decrease in the warrants value of US$42,748.

The changes in the fair value of the remaining 3,020,000 warrants were recognised through profit or loss. These warrants were valued at US$108,065 at 30 June 2019, US$95,439 at 31 December 2018, with an increase in fair value of US$12,626.

The net change in fair value of US$30,122 was recognised through profit or loss.

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

**Loan derivative**

The loan derivative, measured at fair value through profit or loss, has been deemed to be Level 2 liabilities under the fair value hierarchy, based on the valuation method used.

## 7. Share based payments

During the period 1,000,000 share options at nil value vested on grant and were exercised on 25 May 2019. The total number of options outstanding for the period is 11,996,906 (2018:12,996,906) all of which had vested and were exercisable.

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$252,000 (H1 2018: US$854,000) was recognised in period in relation to these options.

## 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.

In relation to the Shareholder Loan as at 30 June 2019 US$1,300,000 (H1 2018: US$1,194,000) is due to a Trust of which Non-Executive Chairman, Michael Haworth is a potential beneficiary and US$96,000 (H1 2018: US$88,000) to Non-Executive Director Estevão Pale.

Aman Sachdeva –Non-Executive Director of Ncondezi Energy Limited - CEO of Synergy Consulting Inc. During the period US$85,000 (2017: US$120,000) was paid by the Company to Synergy Consulting Inc. in respect of services provided by Synergy. At 30 June 2019 the outstanding balance was nil (2017: US$45,000). During the period Synergy provided due diligence and transaction advisory services relating to the evaluation of the GridX investment opportunity and Term Sheet.

Synergy is a global independent consultancy specialising in infrastructure advisory, project finance and has experience in achieving financial closure for deals worth approx. US$25bn and M&A advisory for deals worth US$5bn.

## 9. Events after the reporting period

- On 12 July 2019 a total of US$378,000 of Shareholder Loan was converted into equity at a price of 10 pence per share, with 3,144,485 ordinary shares being issued.

- On 23 July 2019 the Company announced it had signed a binding JDA with the Parties to co-develop and construct the Project.

- On 30 July 2019 1,500,000 warrants were exercised at a subscription price of 5 pence per share which raised a total of £75,000.

www.ncondezienergy.com

## Company details

| | |
|---|---|
| **Directors** | Michael Haworth (Non-Executive Chairman)<br>Estevão Pale (Non-Executive Director)<br>Jacek Glowacki (Non-Executive Director)<br>Aman Sachdeva (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** | Ground Floor, Coastal Building<br>Wickham's Cay II, Road Town<br>P.O. Box 2136, Carrot Bay<br>VG1130 Tortola<br>British Virgin Islands |
| **Company number** | 1019077 |
| **Nominated Advisor** | Liberum Capital Limited<br>Ropemaker Place<br>Level 12<br>25 Ropemaker Street<br>London<br>EC2Y 9AR |
| **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 |
| **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** | Bryan Cave Leighton Paisner LLP<br>Adelaide House<br>London Bridge<br>London<br>EC4R 9HA |