

Ncondezi Energy Limited

Annual Report and Financial Statements

for the year ended 31 December 2021

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Overview & Highlights

Our Vision

Ncondezi Energy Limited (the “Company” or “Ncondezi”) is an African power development company with an advanced staged, integrated 300MW thermal coal power plant and mine project located in the Tete Province, Northern Mozambique (collectively the “Project” or the “Ncondezi Project”).

The Company is focused on providing reliable, affordable and accessible baseload energy to Mozambique and secure against the effects of water drought and intermittency of new renewables. The Project seeks to support Mozambique’s energy strategy of universal electricity access by 2030. According to the World Bank, only 30% of the Mozambican population had access to energy in 2017. The Ncondezi Project would provide 300MW of reliable and available power helping to close the infrastructure gap of the region and serve 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, minimising the plant’s impact on the environment and aiming to ensuring its compliance with the most stringent emission standards.

In addition, the Company continues to leverage its power development experience in Mozambique for potential new projects, particularly in the solar photovoltaic (“PV”) and battery storage sector.

Visit www.ncondezienergy.com for information on the Company and its activities.

Operational Highlights:

Ncondezi Power Project

- US\$21.0 million historical costs relating to the Ncondezi Project agreed “in principle” with China Machinery Engineering Corporation (“CMEC”)
- Master Services Agreement (“MSA”) signed with Synergy Consulting (“Synergy”) to provide financial and transaction advisory services to the Group for the Project
- Engineering, Procurement and Construction (“EPC”) power plant contract for the Project signed with CMEC at a virtual signing ceremony
- Updated Transmission Integration Study submitted for review and approval to Electricidade de Moçambique (“EDM”)

C&I Solar PV and Battery Storage Projects

- Ncondezi Green Power (“NGP”) and Captive Power Limited (“CPL”) signed a binding Relationship Agreement, which superseded the Relationship Agreement with GridX announced on 6 May 2020 under which NGP has the right (but not the obligation) to fund a pipeline of C&I solar and battery storage projects in Mozambique; all rights and obligations under the GridX Relationship Agreement were suspended and GridX agreed to novate to CPL all commercial agreements in relation to the C&I Maiden Project and to release to CPL any rights in relation to 5 of the existing 6 projects in the pipeline
- Successful commissioning of the Company’s C&I Maiden Project
- Mozambique Green Power (“MGP”), a subsidiary which owns the group’s C&I Maiden Project, was sold for US\$1.3 million to Green Energy SPV PLC (“Green Energy”) in December 2021

Overview & Highlights

Financial Highlights

- US\$500,000 bridge loan ("Bridge Loan") between the Company's wholly owned renewables subsidiary, NGP and certain Company Directors to finance the balance of construction costs to commission the C&I Maiden Project. The full amount had been drawn down as of 28 September 2021 and was repaid in full following completion of the sale of MGP in December 2021
- CEO, Hanno Pengilly subscribed for 1,243,646 at 3p per Ordinary Shares in lieu of deferred salary between April 2020 and November 2020 and 1,996,755 at 4.5p per Ordinary Shares in lieu of contractual bonuses due on the achievement of various milestones in 2019 and 2020
- 754,860 Ordinary Shares were issued at 3p to certain employees, contractors and consultants in relation to outstanding deferred salaries and fees accruing between April 2020 and November 2020
- Employees Benefit Trusts 1 & 2 were terminated as part of the Company's measures to conserve funds. Accordingly, the 2,869,840 Ordinary Shares that remained in the EBT were transferred to the Company and are held in treasury by the Company as at year end
- Successful fundraising to finance general working capital completed in August 2021 raising £600,000 at 1.5p per Ordinary Shares
- Cash at bank US\$0.9 million as at 31 December 2021

Post balance sheet events

Ncondezi Power Project

- CMEC confirms ongoing commitment to the Project in January 2022 and continues to lead the process to unlock project financing
- Tariff negotiations awaiting further clarity on Project financing from Chinese Government following announced policy not to fund new coal power projects abroad

Grid Scale Solar Project

- Internal review and preliminary studies identify potential for a grid scale solar plus battery storage power project at the Ncondezi Project site (the "Solar Project") without compromising delivery of the main Ncondezi Project
- Company is finalising development plans and permissions to commission feasibility study work for a grid scale solar project

Working Capital

- Seritza Limited ("Seritza") confirmed it would extend the period in which it would not call in the working capital facility term loan ("Working Capital Facility") to 30 June 2022, whilst restructuring discussions are still being finalised (the "Seritza Restructuring")
- Cash conservation strategy implemented potentially extending working capital runway from August 2022 to Q1 2023, depending on the Seritza Restructuring outcome. Based on management projections the Group is funded into August 2022 with potential to extend into Q1 2023 depending on loan restructuring negotiations with Seritza

Overview & Highlights

Corporate

- Non-executive Director Scott Fletcher purchased an aggregate of 5,000,000 ordinary shares of no par value increasing his holding to 81,823,020 Ordinary Shares, representing 19.9 per cent. of the Company's issued share capital.

Chairman's Statement

Dear Shareholder,

The 2021 financial year was focused on positioning the Ncondezi Project within an increasingly challenging market for coal and coal power generation, as well as commissioning our first solar PV and battery storage project in the C&I sector, which we have subsequently sold.

We had a solid start to the year with “in principle” agreement with our partners CMEC to repay US\$21 million of historical costs. Meanwhile, an optimised transmission integration solution was submitted to EDM for review with a new preferred route being identified that has the potential to significantly reduce Project capex. We were also pleased to conclude the EPC contract for the power plant with CMEC at a virtual Signing Ceremony in September 2021. The EPC contract is the main construction contract for the Project and is a material de-risking event as well as providing a further demonstration of CMEC support for the Project.

Despite the positive progress, global pressures to transition energy generation away from coal have continued, ultimately leading to the sector's largest financier, China, committing to end the building of new coal fired power projects abroad at the United Nations General Assembly on 22 September 2021. Further clarity is required to confirm if the ban applies to more advanced projects, such as the Ncondezi Project.

Financing confirmation from China is critical to the success of the Project and it is important to highlight that a positive outcome from the Chinese Government is out of the Company's control. However, the Company is aiming for a swift resolution and is working closely with CMEC, which is leading the financing process, to gain further clarity on the availability of Chinese financing for the Project. CMEC has re-emphasised its support for the Project and, in parallel to gaining clarity from China, is also exploring several potential alternative financing solutions. All workstreams to progress and finalise the tariff remain ready to proceed as soon as financing is confirmed.

While we await an update on financing for the Project the current situation in Ukraine, growing pains in China and South Africa's widening energy supply deficit all create potential opportunities to unlock the Project's potential.

Following Russia's invasion of Ukraine in February (post year end), global thermal coal prices have more than doubled as the world prioritises energy security over decarbonisation. The fundamentals of all key energy commodities (coal, gas and oil) are going through a structural change, forcing many countries to rethink their energy strategies. Developing nations, such as Mozambique, have less optionality than their more developed neighbours and the changing global energy environment further emphasises the need to implement a diversified generation mix on the grid for greater energy security. Combined with the ability to provide a low cost, reliable power supply to support economic growth, this provides a window in which coal power generation remains suitable as a transition solution whilst renewable energy technologies continue to advance.

The impact of China's ongoing lockdown policy has led to negative GDP growth forecasts, currency depreciation in China and global commodity price inflation. The situation has the potential for China to turn to historically proven tools to resolve growth, including increased credit and policy support for sectors such as infrastructure build out, potentially delaying recent commitments such as restrictions on coal power financing.

South Africa's state run utility, Eskom, has indicated that it currently has a 4,000MW to 6,000MW power deficit and will be forced to retire a further 10,000MW over the next 8 years due to ageing power stations. Mozambique, as the largest exporter of power to South Africa, stands in a good position to take advantage of this.

Any one of these factors could influence a material shift to the benefit of the Project, emphasising the need for continued patience whilst the dust is allowed to settle and clarity is sought on the potential for Chinese funding.

Chairman's Statement

While awaiting clarity on the Project, the Board has carried out a review of other potential opportunities to unlock shareholder value through its wholly owned green energy subsidiary, NGP. Preliminary studies have been completed and confirm the potential for a grid scale solar plus battery storage power project providing an opportunity to unlock significant value for Shareholders and broaden the Company's investment appeal. The Company has confirmed that it can use existing Project studies to fast track a development programme, whilst also leveraging its recent experience in delivering a fully off-grid C&I solar plus battery storage system in Mozambique last year. The Company is currently engaging with the relevant local authorities and expects the Solar Project development programme to accelerate quickly once the requisite authorisations have been granted.

The Solar Project opportunity follows the successful commissioning and sale of the 400kWp solar PV plus 912kWh battery storage C&I Maiden Project in Q4 2021 to Green Energy. The project is believed to be the largest fully off-grid renewable energy system installed in Mozambique to date and was delivered despite the difficulties caused by the global pandemic. The sale was completed at a premium valuation and not only allowed the Company to direct more focus on progressing the Ncondezi Project, but also provided the opportunity to apply newly gained skills in solar PV and battery storage towards additional renewable energy potential at the Project site.

Following the sale of the C&I Maiden Project the Company will continue to monitor the C&I sector for potential opportunities however this sector will no longer be a priority. As part of the C&I Maiden Project sale process the term sheets with Nesa Capital (Pty) Ltd and Nesa Engineering (Pty) Ltd (Collectively "NESA") and Nesa Investment Holdings ("NIH") were terminated in December 2021.

Financing

In August 2021, the Company successfully completed a £600,000 placing, before expenses, via the issue of 40,000,000 Ordinary Shares of no par value in the Company at a price of 1.5 pence per share.

In line with the commitment to Shareholders the Company utilised alternative funding structures to finance the balance of construction costs to commission its C&I Maiden Project. This was done through the delivery of a US\$500,000 Bridge Loan between certain Directors, myself included, and NGP. The Bridge Loan was fully repaid following the sale of the C&I Maiden Project to Green Energy which provided a non dilutive solution to repay the loan and an injection of additional working capital to focus on the main Project.

We continue to work to extend and restructure the Shareholder Loan which matured on 30 November 2019. "In principle" support was received from all Lenders to enter the Shareholder Loan restructuring proposal in November 2019 and again in May 2020. To provide investors with confidence that the Shareholder Loan will not be called in imminently, certain Board and Management who represent 39.6% of the Shareholder Loan signed an Undertaking not to call it in before the later of 30 November 2022 or when the Shareholder Loan restructuring is completed. This ensures that the majority of 66.67% required to call in the Shareholder Loan will not be reached. We remain 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 second largest Shareholder), the Board and Senior Management.

The Working Capital Facility of \$250,000 plus interest became repayable on 24 February 2022, however positive restructuring discussions are ongoing and Seritza has agreed not to call in the loan before 30 June 2022.

On 29 March 2022, the Company announced the completion of a cash conservation strategy which had extended the Company's cash reserves to between August 2022 and Q1 2023, depending on restructuring negotiations on the Working Capital Facility and before repayment of the Shareholder Loan. The strategy included further overhead cost optimisations and reducing management salaries including a 40% reduction for Company CEO, Hanno Pengilly.

As at the end of the reporting period, the Company had cash reserves of approximately US\$0.9 million.

Chairman's Statement

Based upon projections that include corporate costs, salaries of staff and consultant fees, project costs to progress the Project and Solar Project, the Group is funded into August 2022 with the potential to extend this to Q1 2023, depending on the Seritza Restructuring outcome and the Shareholder Loans.

Further funding will also be required to meet operating cash flows under current forecasts in the event of accelerated project advancement. For more details please see note 1 of the Financial Statements.

Acknowledgements

I would like to thank our team and Partners for their continued hard work and commitment. I am aware of the hard work that goes on behind the scenes. We are grateful for Shareholders' continued support and patience and look forward to providing further updates going forward.

Michael Haworth
Non-Executive Chairman

24 June 2022

Operations Review

Ncondezi Project

About the Ncondezi Project

The Project is an integrated project including a coal fired power plant, open pit coal mine and transmission integration solution connecting with the Mozambique grid that is being developed in phases of 300MW. The Project is located near Tete in northern Mozambique.

The Project has been designed to meet the objectives of the Mozambique Government's Integrated Electricity Master Plan and will be equipped with state-of-the-art emissions controls technologies that will reduce local air pollutants, minimising the plant's impact on the environment and ensuring its compliance with the most stringent emission standards.

The Project's objective is to provide reliable, affordable and accessible baseload energy to Mozambique securing against the effects of drought and intermittency of new renewables to assist with providing a balanced and stable grid supply.

The Project remains one of the most advanced baseload projects in Mozambique and continues to receive strong support from our joint venture partner CMEC, which is focused on becoming the Project's strategic partner, with a proposed 60% equity shareholding.

Historical Costs Agreed "In Principle"

In January 2021 the Company agreed "in principle" US\$21.0 million in historical costs to be reimbursed by CMEC at Financial Close ("FC"), on the following basis:

- US\$26.7 million agreed as the target Project historical expenditure
- US\$21.0 million third party audited and accepted by CMEC "in principle"
- US\$5.7 million relating to historical senior and project management costs still under negotiation
- Finalisation of historical development cost expected once Project power tariff approved

Agreement on the historical costs to be reimbursed is a key condition precedent for the full form Shareholders agreement between Ncondezi and CMEC and is in addition to the subscription price to be agreed for the 60% share in the Project and the Project developer's fee.

Power Plant EPC Contract

In September 2021 the power plant EPC Contract was signed at a virtual signing ceremony with CMEC. The EPC contract confirmed CMEC as the main contractor to provide design, engineering, manufacturing, procurement, construction, erection, installation and commissioning of the Ncondezi Project 2x 150MW coal-fired power station on an EPC turnkey basis. The EPC contract is valid for 3 years and subject to standard conditions being met before construction can start, including the achievement of FC at the Project.

Through CMEC, the EPC agreement formed a key part of the information package submitted to the relevant Chinese authorities to confirm the Project's advanced level of development.

Transmission Integration Solution

In December 2021 the Transmission Integration Study for the Project was submitted for review and approval by EDM. The study reviewed a number of potential transmission integration solutions following discussions with EDM, with each optimised for cost, capacity on existing infrastructure and, for new infrastructure and timing of delivery. The study identified a technically more robust integration point 40 km from the Project (representing a reduction of +50km) with potential for a closer integration point in the future. This provides a high degree of confidence in delivering significant cost savings to the Project.

The next phase is to receive sign off from EDM for the Transmission Integration Study, which is expected to be finalised once the Project financing has been resolved.

Operations Review

Ncondezi Work Programme Status

The next major development milestone for the Project is finalisation of the power tariff. At the end of 2020, the Company submitted an updated Project feasibility study and tariff proposal to EDM for review and comment. Although positive steps to progress the tariff were made during 2021, further progress awaits clarity on China's position on the availability of financing for the Project following President Xi's announcement regarding financing restrictions for coal power projects abroad in September 2021. Although the outcome on financing from China is outside of the Company's control, we continue to work closely with CMEC to resolve the issue. In addition, the Company and CMEC have initiated steps to identify potential alternative financing solutions, however securing financing from China remains the priority.

All key development studies for the power plant, mine and transmission line have been finalised and submitted to the relevant Mozambique authorities and EDM and are awaiting sign off. The key commercial agreements, namely the Power Purchase Agreement ("PPA") and Power Concession Agreement ("PCA") are in near final form and are expected to be finalised once a tariff has been agreed.

The Company will provide further updates at the appropriate time.

Ncondezi Green Power

About Ncondezi Green Power

NGP is a wholly owned subsidiary of Ncondezi which is focussed on providing solar PV and battery storage solutions in southern Africa focused on two sectors:

- 1) The grid scale sector focused on supplying power to the national grid; and
- 2) The C&I sector to replace existing off-grid (normally diesel) power supplies, or to supplement on-grid connections.

NGP utilises a conventional Independent Power Producer business model when developing grid scale projects, identifying potential projects with a strategic advantage to supply competitively priced power within national power generation growth requirements. These projects are typically funded through the use of a PPA over a 15 to 20 year period with the local power utility.

For the C&I sector, NGP seeks to provide a full turnkey solution to potential C&I clients, partnering with developers and EPC providers to design, finance, construct and operate solar PV and battery storage installations. For projects that meet its screening and credit approval process, NGP provides a full financing solution for the installation, removing the upfront cost to potential C&I clients. Projects are financed through either an Asset Finance Agreement ("AFA") or PPA structure which splits payments over a 15 to 20 year period, to which NGP seeks to generate its return. NGP works with tier 1 equipment suppliers and allocates key responsibilities to professionals best suited to managing risk during both the construction and operation phase of a project's life. This process takes the complications out of delivering a suitable energy solution for companies interested in lowering their energy bills, improving energy security, and utilising more sustainable forms of energy generation to reduce carbon emissions. NGP entered the C&I sector in 2019 when the Company announced its first investment in the C&I Maiden Project, believed to be the first project of its type in Mozambique.

Grid Scale Solar Project

On 9 May 2022, the Company announced that the Board had concluded an internal review on the Project and believes that there is potential for a grid scale solar plus battery storage power project at the Project site. Preliminary studies confirm the existing Project site enjoys favourable solar conditions and access to the Mozambique grid. The Company has confirmed with its technical and financial advisors that Solar Project development programme and costs can be streamlined through utilisation of existing Project studies.

Importantly, the Solar Project is feasible without compromising delivery of the main Project. The Board believes that the Solar Project brings an opportunity to unlock significant value to shareholders and

Operations Review

broaden the Company's investment appeal. Further updates will be made as the development strategy and engagement with key counterparties progresses.

C&I Maiden Project

Work restarted at our C&I Maiden Project in March 2021 following a delay in construction due to COVID-19 travel restrictions. The project was fully commissioned on 12 October 2021 following final installation handover to the main power offtaker. The project is a fully off-grid solution which includes a 400kWp solar PV installation plus 912kWh battery storage and is targeting generation of up to 600MWh and CO2 savings up to 517t per annum. The project is believed to be the largest fully off-grid renewables project in Mozambique.

On 3 December 2021, the Company announced that NGP had entered into a sale and purchase agreement ("SPA") with Green Energy and sold MGP, the group company which owned the C&I Maiden Project. Key highlights:

- Acquisition price US\$1.3 million paid in cash (the "Consideration")
- Green Energy is a newly formed company controlled by Ncondezi Energy Non-Executive Director, Scott Fletcher
- Proceeds used to repay the Bridge Loan and the remainder of the proposed Consideration, \$650,000 is being used for general working capital purposes

Pursuant to the terms of the SPA :

- NGP terminated certain exclusivity agreements with NESACAP (Pty) Ltd, and Nesa Venture Capital Investments (Pty) Limited; and
- Ncondezi waived certain contractual rights in relation to Hanno Pengilly and Scott Fletcher under their letter of appointment and service agreement with Ncondezi, respectively such that they will both be permitted to participate in any commercial and industrial solar photovoltaic and battery storage projects carried out by Green Energy.

The Company also guaranteed performance by NGP of its obligations under the agreement. NGP gave customary warranties in relation to its authority to enter into the transaction, its ownership of the shares and the business of MGP. NGP also gave an indemnity regarding the financial position of MGP and certain other matters. The warranties relating to the business of MGP and the indemnities are subject to a number of limitations.

Both the sale of MGP to Green Energy and the requirement to repay the Bridge Loan from the proceeds of the sale constituted a related party transaction for the purposes of AIM Rule 13. The sale concluded during December 2021.

Relationship Agreement with CPL

In June 2021, the Company announced that NGP had signed a new binding Relationship Agreement with CPL giving it the right of first refusal ("ROFR") (but not the obligation) to fund a pipeline of C&I solar PV and battery storage projects in Mozambique. This agreement supersedes the agreement signed with GridX in May 2020.

Under the agreement, CPL has identified 6 Initial Projects for development with a combined potential installed solar PV capacity of 2.8MWp and 6.2MWh battery storage, representing a potential total investment value of US\$5.5m. Capital costs range from US\$250,000 to US\$2.1 million. Should these Initial Projects meet the minimum KPIs and NGP exercises its right to fund, it would represent a potential annuity income stream of over US\$750,000 per annum.

Each project must meet a minimum set of KPIs before being presented to NGP for funding. These minimum KPIs include:

Operations Review

- Project must be located in Mozambique;
- Project size between US\$100,000 and US\$10,000,000;
- Use of proven technology;
- Minimum post tax unlevered equity IRR of at least 10% to NGP;
- Minimum credit requirements met;
- Bankable offtake denominated in US\$;
- Completion of credit checks on potential clients with additional credit support in place where required;
- Finalised EPC and Operations and Maintenance (“O&M”) contracts in place; and
- All consents and permits required to start construction in place.

NGP will have the right to fund 100% of each project’s equity requirement, and projects will be assessed for funding on a project by project basis. The Company will look to identify the optimal financing strategy for each project, particularly with respect to securing funding at the NGP subsidiary level and will look at both debt and equity options with gearing of up to 50%. Discussions with potential investors and debt providers to date have been positive as investment mandates and appetites to fund energy access and renewable power projects continue to grow.

If a project meets the minimum KPIs, NGP has the right not to fund that project without any financial penalty. However, should NGP elect not to fund any further projects that meet the minimum KPIs, it will lose its ROFR over the remaining projects. If a project does not achieve the KPIs within the proposed time frame allocated, CPL has the ability to substitute that project for alternative projects.

As part of its ordinary course of business as a developer, CPL is entitled to a capped development fee for each project that NGP funds, included as part of the project capital cost.

CPL is expected to provide O&M services for each of the projects that achieves FC in accordance with market-related commercial terms for projects of a similar nature, contracting directly with the power off-taker.

Certain incentives to encourage CPL 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 NGP.

The Relationship Agreement will expire at the earlier of Ncondezi financing US\$5.5 million of projects or 24 months from the date of the Relationship Agreement.

NESA Power Joint Venture Term Sheet and NIH Exclusivity Agreement

In June 2021 the Company announced the signing of a term sheet with binding exclusivity between NGP and NESA detailing the proposed formation of a JVCo to create a regional player in the southern African C&I renewable energy and storage sector.

In addition, NESA, NIH and NGP entered into a binding agreement granting NESA and NGP exclusive rights to negotiate terms on which they would acquire, through the proposed JVCo, a minimum 51% interest in the NIH Portfolio by 30 November 2021 with a subsequent option to acquire up to 100% within a 5 year period.

Both the NESA term sheet and NIH exclusivity agreements were terminated as part of the C&I Maiden Project SPA with Green Energy.

Master Services Agreement

In March 2021 the Company signed an MSA with Synergy to provide financial and transaction advisory services to the Group for the integrated Ncondezi 300MW coal fired power project and coal mine in Tete, Mozambique. The MSA covers potential advisory services to the Project up to FC including:

- Finalisation of the Project power tariff with EDM
- Negotiations with CMEC on Project subscription price
- Negotiations with Project lenders for debt financing
- Capital raising for Ncondezi’s equity contribution towards the Project at FC

Operations Review

Synergy is a leading international project finance advisory firm specialising in the power sector. They have significant Project experience having assisted the Company in achieving major milestones to date including, negotiation of the JDA with CMEC and the tariff submission to EDM. The services also include potential support for capital raising for the Company's renewable energy strategy in the C&I sector.

A capped fee structure has been agreed and all services will require approval by the Company on a workstream by workstream basis allowing the Company to efficiently manage cashflows.

By virtue of the fact that Aman Sachdeva, a director of the Company, is also a director, founder and majority shareholder of Synergy, the MSA constituted a related party transaction for the purposes of AIM Rule 13.

Working Capital Facility

In October 2019, the Company entered a term loan with Seritza for an unsecured working capital facility of up to US\$750,000 for the continued development of the Ncondezi Project. Seritza is a private company owned by a trust of which CEO of Ncondezi, Hanno Pengilly, is a potential beneficiary and so is a related party for the purposes of the AIM Rules.

This Working Capital Facility was available for drawdown from 1 January 2020 until 30 June 2020 at the Company's election and was repayable within 24 months from first drawdown, unless there was an event of default or the Company elected to prepay the facility. The Working Capital Facility attracts a 10% annual interest charge, payable at maturity or on repayment. During the drawdown period, Ncondezi elected to drawdown US\$250,000 in total during February 2020.

As at 30 June 2022, the repayment amount due will be US\$0.3 million.

The Working Capital Facility matured on 22 February 2022, however Ncondezi has entered positive restructuring discussions with Seritza which include the potential for a maturity extension and/or potential non-cash settlement solutions. Whilst these discussions are ongoing, Seritza has agreed not to call in the loan until 30 June 2022.

The proposed Seritza Restructuring would likely constitute a related party transaction for the purposes of AIM Rule 13 for Companies. Accordingly, should the Restructuring be accepted by Seritza and before signing, the Company's Independent Directors would need to consider whether the terms of the Restructuring are fair and reasonable insofar as its Shareholders are concerned.

Whilst discussions are ongoing, there can be no certainty that the transactions contemplated above will occur.

Shareholder Loan

The Shareholder Loan term expired on 30 November 2019 with no extensions or restructuring legally agreed as at period end. The Shareholder Loan was US\$5.2 million as at period end, with interest of 12% continuing to be accrued on the outstanding balance.

As of 30 June 2022, the repayment amount due will be US\$5.4 million which includes principal, rolled up premiums under the previous loans and interest.

The Company received "in principle" support in November 2019 from all Lenders to enter the Shareholder Loan restructuring proposal as set out below:

- 12 month extension on existing terms, including 12% annual interest rate and ability for Lenders to swap debt for equity in part or in full at a conversion price of 10.0p per share.
- A right for Ncondezi to pay off the original principal amount of the Shareholder Loan along with conversion of all interest into Ncondezi shares on AIM at a 25% to 30% premium to the 30 day volume weighted average price ("VWAP").

The restructuring process is currently subject to the completion of Key Lender internal approval from AFC, which has incurred delays from the impact of COVID-19.

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On 26 November 2019 and reconfirmed on 20 May 2020, all Lenders, including AFC, indicated that they will not call in the Shareholder Loan whilst the Restructuring is being finalised. On 3 November 2020 certain Board and management, including Chairman Michael Haworth and CEO Hanno Pengilly, who represent 39.6% of the Shareholder Loan signed an Undertaking not to call in the Shareholder Loan before the later of 30 November 2022 or when the Restructuring is completed. The Undertaking prevents the Shareholder Loan from being called as a majority agreement representing 66.7% of Shareholder Loan holders is required.

The Restructuring is subject to the Lenders agreeing to the documentation and the necessary related party transaction process being completed by the Company's Independent Directors.

Financial Review

Results from operations

The Group made a loss after tax for the year of US\$1.7 million including discontinued operations, US\$1.8 million from continuing operations compared to a loss of US\$2.8 million for the previous financial year. This includes a gain of US\$0.1 million from discontinued operations. The basic loss per share for the year for continuing operations was 0.5 cents (2020: 0.8 cents) whereas the diluted loss per share for the year for continuing operations was 0.4 cents (2020: 0.7 cents).

Administrative expenses (excluding share based payment charges) totalled US\$1.5 million (2020: US\$1.6 million). Administrative expenses refer principally to staff costs, professional fees and marketing costs and underlying administrative expenses relating to advancing the integrated power and mining project and C&I projects.

The income after tax includes US\$0.2 million (2020: loss US\$0.9 million) finance income comprising mainly of US\$0.6 million (2020: US\$0.5 million) of effective interest charges on the Shareholder Loan. The US\$0.8 million decrease in the fair value liability of warrants during the period (2020 US\$0.4 million increase), further information can be found in note 21.

Financial Position

The Group's statement of financial position at 31 December 2021 and comparatives at 31 December 2020 are summarised below:

	2021 US\$'000	2020 US\$'000
Non-current assets	18,632	19,371
Current assets	974	965
Total assets	19,606	20,336
Current liabilities	5,871	6,324
Total liabilities	5,871	6,324
Net assets	13,735	14,012

Capitalised additions totalled US\$0.17 million (2020: US\$0.15 million) in respect of the development of the Power Project, refer to note 7 for more details. The carrying value of the non-current assets was assessed for impairment and no impairment was noted as detailed in note 2.

The decrease in non-current assets of US\$0.7 million (2020: US\$0.4 million increase) is in respect of the disposal of the C&I Maiden project, this resulted in decreased costs and a reversal of loans receivable due to the sale of MGP, as detailed in note 10 and 11.

The US\$0.4 million decrease in current liabilities principally relates to a US\$0.7 million decrease in the revaluation of derivatives previously issued and new derivatives issued during the year, a US\$0.5 million increase in the Shareholder Loan and working capital facility accrued interest charges and a US\$0.2 million decrease in creditors. The Company's mid-market closing share price decreased and as at 31 December 2021 was 0.95p (31 December 2020: 5.50p) this resulted in a significant decrease in the derivative financial liability. For further information refer to note 21.

Cash Flows

The net cash outflow from operating activities for the year was US\$1.4 million (2020: US\$1.3 million).

The cash outflow principally represented administrative costs for the year with limited working capital movements.

Net cash outflow from investing activities was US\$0.2 million (2020: US\$0.6 million), all relating to development activities incurred on the Power Project as detailed in note 7.

Net cash inflow from financing activities was US\$1.6 million (2020: US\$2.0 million) mainly relating to the net amount of US\$1.0 million from the placing of 40,000,000 Ordinary Shares in the Company at a price of 1.5p per Ordinary Share, US\$1.3 million relating to the sale of MGP and USD\$0.65million bridge loan repayment.

The resulting year end cash and cash equivalents held totalled US\$0.9 million (2020: US\$0.9 million).

Financial Review

Outlook

Based upon projections that include corporate costs, salaries of staff and consultant fees, project costs to progress the Project and Solar Project, the Group is funded into August 2022 with the potential to extend this to Q1 2023, depending on the Seritza Restructuring outcome and the Shareholder Loan. Further funding will also be required to meet operating cash flows in the event of accelerated project advancement. The Directors are exploring a number of funding and working capital solutions. At present there are no binding agreements in place and there can be no certainty as to the Group's ability to raise additional funding.

The Directors are also aware of the potential risk of delays as a result of the COVID-19 pandemic. Operations are currently unaffected however there is no certainty that further delays may not occur in the future which may lead to further funding requirements.

At the end of 2020, the Company submitted an updated Project feasibility study and tariff proposal to EDM for review and comment. Although positive steps to progress the tariff were made during 2021, further progress awaits clarity on China's position on the availability of financing for the Project following President Xi's announcement regarding financing restrictions for coal power projects abroad in September 2021. While the outcome on financing from China is outside of the Company's control, we continue to work closely with CMEC to resolve the issue. In addition, the Company and CMEC have initiated steps to identify potential alternative financing solutions.

The Shareholder Loan which will amount to US\$5.4 million as of 30 June 2022 (including principal, historic redemption premium and interest) matured on 30 November 2019, and the Company is currently evaluating options to execute the restructuring process as proposed on 26 November 2019.

The Working Capital Facility which will amount to US\$0.3 million as of 30 June 2022 (including principal and interest) matured on 24 February 2022 and the Company is currently evaluating options to extend, restructure or repay the loan. Whilst these discussions are ongoing, Seritza has agreed not to call in the loan until 30 June 2022.

In addition, notwithstanding the Shareholder Loan and Working Capital Facility, further funding will be required as detailed above to meet operating cash flows under current forecasts beyond August 2022 or in the event of accelerated project advancement. 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. Further details can be found in note 1 of the Financial Statements.

Environmental and Social Responsibility

Sustainability

Ncondezi is committed to operating in a sustainable and responsible manner. The Company takes a long-term strategic approach to the conduct of its business, with corporate responsibility as a key priority. We are focused on achieving the highest standards of ethical behaviour, health and safety, environmental stewardship and governance while sharing the benefits of our operations with our host communities and host country.

Social Development

Ncondezi's Social Development Programme was put on hold pending further Project developments. Following this the Company is working with its partners to put in place a road map to ensure the Company meets the highest levels of sustainability at all stages of development. Further updates will be provided to Shareholders in due course.

Achievements from previous years include:

- The drilling of 14 boreholes in several villages within the Tete province.
- Four students completed their Master's degree in Mining Engineering at Coimbra University benefiting from a full bursary from Ncondezi.
- A 4x4 ambulance was purchased to assist villagers in more remote areas surrounding the Ncondezi Project.
- Ncondezi built a new primary school at Waenera village.
- Upgrading of the Mameme clinic and the construction of a new maternity wing.
- An Agricultural Project based on conservation farming. This included the villages of Catabua and Canjedza as an initial model. The objective being a platform to educate the local communities in all aspects of crop husbandry using their own resources.

Commitment to Low Emissions

The Company is committed to maintaining the strictest emission standards at the Project where state of the art emission control systems will be in place to ensure SO_x and NO_x emissions are below current IFC and World Bank standards and will also comply with the latest OECD guidelines and Equator Principles.

Ensuring Energy Security and Access to Low Cost Reliable Power

Mozambique is a developing country with an energy generation mix that is heavily dependent on hydro power generation. Power generation from coal is seen as a key factor in improving Mozambique's energy security by reducing Mozambique's dependence on hydroelectric power (particularly in the north) where current generation is vulnerable to the extreme weather effects of climate change.

Whilst there is increasing global pressure for energy generation to transition away from coal, the needs for developing countries, such as Mozambique, to implement a diversified generation mix on their grids for greater energy security combined with the provision of low cost, reliable power supply to support economic growth provide a window in which such generation remains suitable. It will also allow for deeper energy generation from intermittent renewable energy sources such as solar PV and wind.

Looking to the Future

As a Company we acknowledge the changing investor appetite in the West for renewable versus fossil fuel projects. We recognise that future energy generation will increasingly focus on renewable energy solutions. Our entry into the C&I solar PV and battery storage sector allowed us to demonstrate our expertise in delivering solar PV plus battery storage projects in Mozambique, and we have recently announced the potential for a grid scale solar PV project at our main Project site.

Directors' Biographies

The following sets out the biographies of the directors as at 31 December 2021.

Michael Haworth / Non-Executive Chairman

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

Aman Sachdeva / Non-Executive Director

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

Scott Fletcher / Non-Executive Director

Scott Fletcher is one of the UK's leading entrepreneurs and boasts an MBE for services to business and community in the north of England as well as an honorary Doctorate in Business Administration. Mr Fletcher founded his first company in 1996 ANS Group, growing it to become a leading cloud services provider in the UK today. Mr Fletcher is also an active investor in smaller companies both private and public.

Hanno Pengilly / Chief Executive Officer

Hanno has considerable knowledge in the power and mine sectors on the back of his experience in the business over the last 12 years. Hanno joined the Company in 2010 and has been the Company's Chief Executive Officer since October 2019. Hanno has been responsible for managing key project milestones including the delivery of the power plant and mine feasibility studies in 2013 and 2014. Since May 2017, Hanno has led the Company's strategic partner process, which successfully resulted in the signing of a binding JDA in July 2019 and led the Company in key negotiations with the Mozambique government and state power utility EDM. Prior to joining the Company, he was an investment banker at JP Morgan, based in the United Kingdom and South Africa, and predominantly focused on natural resources. He holds a BSc in Economics.

Directors' Report

The Directors present their annual report and the audited group financial statements headed by Ncondezi for the year ended 31 December 2021.

Principal activities

The principal activity of the Group is the development of an integrated 300MW power plant and mine to produce and supply electricity to the Mozambican domestic market. The Group also continues to advance its solar PV and battery storage strategy in the grid scale and C&I sectors in Mozambique.

Business review and future developments

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

Principal risks and uncertainties

The Group operates in an uncertain environment that may result in increased risk, cost pressures and schedule delays. The key risk factors that face the Group and their mitigation are set out on pages 20 to 24.

Additionally, the Group's multi-national operations expose it to a variety of financial risks such as market risk, foreign currency exchange rates and interest rates, liquidity risk, and credit risk. These are considered further in notes 1 and 22.

Key performance indicators

The key performance indicators of the Group are as follows:

	2021	2020
Mine and Power development expenditure (US\$'000)	169	152
C&I projects funding (US\$'000)	-	418
Share price at 31 December (pence)	0.95	5.50
Cash at bank at 31 December (US\$'000)	900	853

Results and dividends

The results of the Group for the year ended 31 December 2021 are set out on page 39.

The Directors do not recommend payment of a dividend for the year (2020: US\$nil). The loss will be transferred to reserves.

Events after the reporting date

See note 25 for further information.

Financial instruments

Details of the use of financial instruments by the Company, its subsidiary undertakings and financial risk management are contained in note 22 of the financial statements.

Going concern

Based upon projections that include corporate costs, salaries of staff and consultant fees, project costs to progress the Project and Solar Project, the Group is funded into August 2022 with the potential to extend this to Q1 2023, depending on the Seritza Restructuring outcome. Further funding will also be required to meet operating cash flows in the event of accelerated project advancement. The Directors are exploring a number of funding and working capital solutions. At present there are no binding agreements in place and there can be no certainty as to the Group's ability to raise additional funding.

The Directors are also aware of the potential risk of delays as a result of the COVID-19 pandemic. Operations are currently unaffected however there is no certainty that further delays may not occur in the future which may lead to further funding requirements.

At the end of 2020, the Company submitted an updated Project feasibility study and tariff proposal to EDM for review and comment. Although positive steps to progress the tariff were made during 2021, further progress awaits clarity on China's position on the availability of financing for the Project following President Xi's announcement regarding financing restrictions for coal power projects abroad in

Directors' Report

September 2021. While the outcome on financing from China is outside of the Company's control, we continue to work closely with CMEC to resolve the issue. In addition, the Company and CMEC have initiated steps to identify potential alternative financing solutions.

The Shareholder Loan which will amount to US\$5.4 million as of 30 June 2022 (including principal, historic redemption premium and interest) matured on 30 November 2019, and the Company is currently evaluating options to execute the restructuring process as proposed on 26 November 2019.

The Working Capital Facility which will amount to US\$0.3 million as of 30 June 2022 (including principal and interest) matured on 24 February 2022 and the Company is currently evaluating options to extend, restructure or repay the loan. Whilst these discussions are ongoing, Seritza has agreed not to call in the loan until 30 June 2022.

In addition, notwithstanding the Shareholder Loan and Working Capital Facility, further funding will be required as detailed above to meet operating cash flows under current forecasts beyond August 2022 or in the event of accelerated project advancement. 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. Further details can be found in note 1 of the Financial Statements.

Directors and Directors' interests

Director	Note	Appointment date	Ordinary Shares held 31 December 2021	Ordinary Shares held 31 December 2020
Michael Haworth	1	01.06.12	16,759,462	16,759,462
Aman Sachdeva	2	21.05.15	-	-
Scott Fletcher		29.10.20	76,823,020	63,489,687
Hanno Pengilly		09.10.19	3,531,776	291,375

1. Includes shares held by a trust of which Michael Haworth is a potential beneficiary.

2. Aman Sachdeva is AFC's nominated director. AFC holds 54,988,520 Ordinary Shares representing 13.39% of the issued Ordinary Shares as at 31.12.21 and 13.39% as at 24.06.22.

Annual General Meeting

Resolutions will be proposed at the forthcoming Annual General Meeting, as set out in the Formal Notice which will be sent to Shareholders in due course. In accordance with the Company's Articles of Association one third of the Directors are required to retire by rotation. Accordingly, Hanno Pengilly will offer himself for re-election at the forthcoming Annual General Meeting of the Company.

In addition, Michael Haworth has been a Director of the Company for more than 9 years and although the Board do not consider his independence to be compromised, in line with best practice, he will offer himself for re-election at the forthcoming Annual General Meeting of the Company and annually thereafter.

Corporate Governance

The Company's compliance with the principles of corporate governance is explained in the corporate governance statement on pages 25 to 28.

Ordinary Share Capital

The Company's Ordinary Shares of no-par value represent 99.3% of its total share capital. The remaining 0.7% are held in treasury by the Company and do not hold voting rights. At a meeting of the Company every member present in person or by proxy shall have one vote for every Ordinary Share of which he/she is the holder. Holders of Ordinary Shares are entitled to receive dividends.

On a winding-up or other return of capital, holders are entitled to share in any surplus assets pro rata to

Directors' Report

the amount paid up on their Ordinary Shares. The shares are not redeemable at the option of either the Company or the holder. There are no restrictions on the transfer of shares.

Disclosure of information to auditors

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

Auditors

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

By order of the Board

Elysium Fund Management Limited

Company Secretary

24 June 2022

Risk Factors

Risk(s)	Potential Impact(s)	Mitigation Measure(s)
Financing risk	<p>The Group needs to complete the restructuring of its existing loans and secure investment from strategic investors and/or investment from co-developers to provide sufficient working capital for the next 12 months. Failure to do so may lead to the Group not being a going concern (see note 1). Additionally, project financing will be required to complete the Project and failure to secure such financing would result in failure of the Project and/or delay in its execution.</p> <p>To achieve FC of the Project, the Group will also need to conclude some of its on-going negotiations on key Project agreements, including the Project Power Tariff, PCA and the PPA. Failure or delay in doing so may lead to failure of the Project and/or delay in its execution.</p> <p>To date the Company has successfully raised capital via the issue of new shares and has been funded by way of loans from Shareholders and management. Going forward future capital raises and debt funding will be subject to market conditions at the time, there is no guarantee these will be successful.</p>	<p>The Company is in discussions with the existing Shareholder Loan holders and has received 'in principle' support regarding restructuring of the loans, if necessary, together with exploring funding solutions to refinance the Shareholder Loan. Further to this certain Board Members and management who represent 39.6% of the Shareholder Loan have signed an Undertaking not to call in the Shareholder Loan before the later of 30 November 2022 or when the Restructuring is completed. The Undertaking prevents the Shareholder Loan from being called as a majority agreement of 66.67% is required.</p> <p>Ncondezi has signed a Joint Development Agreement ("JDA") with CMEC and GE Energy Switzerland GmbH ("GE") which provides financial support to the Project both at the developmental stages to FC as well as during construction. The Company also signed a Supplementary Agreement ("SA") to the JDA with CMEC, pursuant to which CMEC would fund specified accelerated development works at the Project with a provisional budget of US\$1.8 million being approved by the parties. Development work agreed within the provisional budget has commenced and is expected to accelerate as soon as a tariff is agreed with EDM. It is important to highlight that there is no certainty that additional funding will be raised.</p> <p>The Company intends to engage with a range of potential financing partners with the objective of securing additional development capital for the costs that will not be covered by the JDA partners, including selected corporate overheads. Since October 2018, Ncondezi has had a successful track record in raising additional capital with £2.0million before expenses raised during the 2020 and 2021 financial years despite challenging markets due to the COVID-19 outbreak.</p> <p>The Company has had discussions with a number of potential debt and equity investors and intends to further develop these potential sources of capital at the appropriate time.</p> <p>The Directors' will monitor the monthly cash burn rate to ensure the Group operates within its cash resources for as long as possible.</p>
Project financing risk	The Project is targeting construction financing from China, however China committed to end financing of new coal fired	China's policy on funding overseas coal power projects is not clear and requires additional clarification, particularly for

Risk Factors

	<p>power projects abroad at the United Nations General Assembly on 22 September 2021. Several China backed coal power development projects overseas have subsequently been terminated following the announcement. Failure to secure construction financing for the Project will prevent it from finalising a power tariff and there is no guarantee it will be developed.</p> <p>The Company has limited control over China's decision to include or exclude the Project from its financing restrictions. CMEC as a Chinese state owned entity may also be impacted by Chinese policy on coal power financing.</p>	<p>advanced projects or projects dubbed as priority projects by the Chinese government.</p> <p>The Project is at an advanced level of development and believed to be the most developed coal power project in Mozambique. The Project was also selected as a priority Project at the China-Mozambique Cooperation Forum in 2019.</p> <p>The Company continues to work closely with CMEC to gain further clarity on the availability of Chinese financing for the Project. CMEC has re-emphasised its support for the Project and is leading the financing process. In addition, the Company and CMEC have initiated steps to identify potential alternative financing solutions.</p> <p>Finally, the Company has received no communication from Chinese authorities to terminate the Project.</p>
<p>Off-taker risk</p>	<p>In the event that the Group is unable to renew the commercial deal with EDM or finalise the PPA on acceptable terms, the Group will need to secure an alternative credible power off-taker(s) to raise finance for the Project. There is no guarantee that, in such circumstances, the Group will be able to secure a credit worthy off-taker for the full output with the plant operating at load factors in excess of 80%. Failure to complete the negotiations successfully would have an adverse operational and financial impact.</p>	<p>In October 2018, the President of Mozambique launched the "National Electricity Program for All", targeting expansion of energy access rates in Mozambique from 31% in 2018 to 62% in 2024 and 100% by 2030. The program specifies that up to 650MW of new coal power generation is to come online from 2023. As part of this programme, EDM has successfully achieved financial close on a number of power projects in 2020 and 2021.</p> <p>Should EDM not be able to offtake the full power supply from the Project, there is a shortage of power in the region, with Mozambique currently exporting power to South Africa, Zimbabwe, Zambia, Botswana and Namibia. Each of these countries could provide a potential credible power off-taker for the Power Project either as a substitute or as additional power off-taker for an expanded power plant. The Company monitors this potential closely, although there is no guarantee another offtaker will be secured.</p>
<p>Competition from other power stations in Mozambique</p>	<p>Other power stations are being developed in the Tete region and are competing for offtake from EDM as well as resources such as water and transmission line servitudes.</p>	<p>The Project is one of the most advanced projects in the region, making competition from nearby projects more difficult due to the time they require to catch up. The December 2020 Market study confirmed the Project as one of the most competitive coal power plant projects in the southern African region.</p> <p>Competing gas projects are mainly located in the southern part of Mozambique and are not able to supply the portion of the Mozambican power grid that the Power Project is to connect to in the north of the country.</p>

Risk Factors

		<p>Competition from solar and wind projects is limited in that they are not baseload plants.</p> <p>Additionally, being a thermal coal power station project, the Group can implement commissioning of the power plant faster than competing hydroelectric projects which typically take 2-3 years longer to commission.</p> <p>The Company has also initiated studies to look at introducing a solar project at the Ncondezi Project site to take advantage of the growing demand for renewable energy.</p>
Estimating mineral reserve and resource	<p>The estimation of mineral reserves and mineral resources is a subjective process and the accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions used and judgements made in interpreting engineering and geological information.</p> <p>There is significant uncertainty in any reserve or resource estimate and the actual deposits encountered and the economic viability of mining a deposit may differ materially from the Group's estimates.</p> <p>The exploration of mineral rights is speculative in nature and is frequently unsuccessful. The Group may therefore be unable to successfully discover and/or exploit reserves.</p>	<p>Resources</p> <ul style="list-style-type: none"> • Sign-off of resources by registered Competent Person ("CP"). • Reporting resources in accordance with the JORC code. • Classification of resources into a high level of confidence category. • Detailed geological modelling conducted. • The utilisation of accredited laboratories for the analyses of coal samples. • QA/QC procedures according to best practices. <p>Reserves</p> <ul style="list-style-type: none"> • Sign-off of reserves by registered CP. • Classification of reserves into proven or probable reserves. • Detailed mine design and scheduling.
Coal risk	<p>Coal specification developed at the pre-feasibility study and verified during the feasibility stage may not be representative of coal to be used in the plant.</p> <p>Not properly characterised coal resources may lead to incorrect boiler design and plant underperformance.</p>	<p>Further coal quality analysis will be conducted and supplied to the boiler supplier for finalisation of the boiler design.</p>
Transmission grid constraints	<p>Available transmission capacity is allocated to other power generators.</p>	<p>A transmission agreement heads of terms has been signed with EDM and the Mozambican Government to ensure that available transmission infrastructure allocation is secured early and that proper evacuation infrastructure and capacities are available to the Project in line with the Group's strategy.</p> <p>In December 2021, an updated Transmission Integration Study was submitted for review and approval by EDM. The study confirmed the availability of several potential transmission integration solutions for the Project.</p>

Risk Factors

<p>Environmental and other regulatory requirements</p>	<p>Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Group, the extent of which cannot be predicted. Before production can commence on any properties, the Group must obtain regulatory approval and there is no assurance that such approvals will be obtained. No assurance can be given that new rules and regulations will not be enacted or existing rules and regulations will not be applied in a manner which could limit or curtail the Group's operations.</p>	<p>The Group adopts standards of international best practice in environmental management and community engagement in addition to focussing on satisfying Mozambican environmental regulations and requirements in all stages of development.</p> <p>Environmental Management and Social Development Plans have been advanced and are being implemented to satisfy national and international best practice.</p> <p>The Mine and Power Plant Environmental Social Impact Assessments (ESIA) have been conducted by independent, internationally recognised consultants, and have been approved by the Mozambican Government.</p> <p>The Project will use state of the art emission control systems, targeting particulates, SOx and NOx emissions below the current IFC and World Bank standards. The Project will also be compliant with the latest OECD guidelines and Equator Principles.</p> <p>The Company's entry into the solar PV and battery storage sector positions it to take advantage of growing demand from corporates to reduce their carbon emissions and source more sustainable forms energy.</p>
<p>Climate Change Risk</p>	<p>Increased awareness and action against climate change will put pressure on governments and financing organisations to reduce exposure to fossil fuel related power generation. This could affect future Mozambican Government policy towards coal fired generation and limit funding appetite for the Project.</p>	<p>Mozambique is a developing country with an energy generation mix that is heavily dependent on hydro power generation. Power generation from coal is seen as a key factor in improving Mozambique's energy security by reducing Mozambique's dependence on hydroelectric power (particularly in the north), where current generation is vulnerable to the extreme weather effects of climate change. It will also allow for deeper energy generation from intermittent renewable energy sources such as solar PV and wind.</p>
<p>Foreign Country Risk</p>	<p>The Group's exploration licences and Project are in Mozambique. The Group faces political risk whereby changes in government policy or a change of governing political party could place its exploration licences and Project in jeopardy.</p> <p>Mozambique defaulted on commercial loans in 2016 resulting in donors and the International Monetary Fund (IMF) freezing aid to Mozambique, which may affect financing of the Project at FC.</p>	<p>The Mozambican Government has been stable for many years and fosters a beneficial climate towards companies exploring for resources.</p> <p>The IMF and potential multilateral lenders' groups continue towards a resolution for Mozambique's default. Settlement between the Mozambican Government and creditors in October 2019 and the successful FC on Mozambique LNG are seen as positive steps towards future funding of projects in Mozambique. All parties have committed to resolving the issue in a reasonable and transparent manner to restore confidence in the country.</p> <p>Terrorism attacks in the north of Mozambique are localised to the Cabo</p>

Risk Factors

	<p>Mozambique has been exposed to acts of terrorism in the Cabo Delgado region, affecting businesses and resulting in people relocating. This is expected to impact business activities in the north of the country.</p>	<p>Delgado region and are not expected to have an impact on the Company's business operations.</p>
<p>Project Development Risk</p>	<p>The Company's assets are all at a development stage. Failure to successfully execute and complete the development projects, or to execute and complete the projects on time and on budget, would have an adverse operational and financial impact.</p>	<p>The Company has signed a JDA with CMEC and GE who have a track record of delivering integrated coal-fired power and mine projects on time and budget. Regular Project update meetings are held with the Executive Team to ensure all workstreams are progressing as planned and ongoing monitoring, reporting and control processes are in place.</p> <p>The Company has signed a relationship agreement with CPL providing a pipeline of potential off-grid solar PV battery storage projects for investment. Projects are only put forward for investment when they meet strict KPIs. The Company has a ROFR over the pipeline and can reject one project that meets the KPIs without losing their ROFR.</p>
<p>Tariff Pricing Risk</p>	<p>Global commodity price increases and supply chain restrictions have had an inflationary impact on construction costs which may impact the Project capex. This would result in a higher tariff requirement to achieve the same level of returns.</p>	<p>The Company is constantly looking at ways to further optimise the Project costs to maintain a competitive tariff offer and believes there is sufficient scope to counter any negative inflationary capex effects. The recently completed transmission integration study identified a shorter transmission connection route which has the potential to further reduce Project capex.</p> <p>The Mozambique government tariff negotiation process is underway and will look to optimise the tariff structure via a number of factors including capex and opex optimisation and financing terms from lenders. While there are no guarantees, the Company remains confident an agreement will be reached with EDM to ensure the Project economics are maintained for all Stakeholders.</p>
<p>COVID-19</p>	<p>The COVID-19 outbreak in H1 2020 resulted in travel restrictions in and to Mozambique. This impacted the Company in a number of ways preventing access to site for the main Ncondezi Project.</p> <p>The travel restrictions and more recently China's no-COVID policy also prevented the Project Partners from holding in person negotiations with EDM and existing and potential investors.</p>	<p>While the risk from COVID-19 has decreased the Company continues to closely monitor the situation and to develop appropriate response plans to new outbreaks. Since the initial outbreak, the Company restricted travel and promoted online meetings to limit any impact on operations.</p> <p>Senior management have been vaccinated however the Company remains cognisant of the threat posed by new variants.</p>

Corporate Governance Statement

The Directors of the Company have elected to follow the principles of the QCA Corporate Governance Code. The QCA Corporate Governance Code identifies ten principles that focus on the pursuit of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which the company was created. In addition to the details provided below, governance disclosures can be found on the Company's website at <http://www.ncondezienergy.com/corporate-governance.aspx>

The Company is focused on the phased development of the Project which it believes offers the most achievable and financeable route to production, thereby delivering value for Shareholders. The key risk factors that face the Group and their mitigation are set out on pages 20 to 24.

In addition to the main Project, the Company continues to advance its solar PV and battery storage strategy in the grid scale and C&I sectors in Mozambique.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 31. Below is a brief description of the role of the Board and its committees, including a statement regarding the Group's system of internal financial control.

The workings of the Board and its committees

The Board of Directors

At 31 December 2021, the Board comprised a Non-Executive Chairman (Michael Haworth), two further Non-Executive Directors (Aman Sachdeva and Scott Fletcher) and one Executive Director (Hanno Pengilly).

Under the UK Corporate Governance Code, the independence or otherwise of the Directors is a judgement for the Board. As part of this consideration the Board has reflected on the fact that under the UK Corporate Governance Code Scott Fletcher and Aman Sachdeva would not be viewed as independent by virtue of the shares, options and loan that Scott Fletcher holds in the Company and, in respect of Aman Sachdeva, his options and his role as CEO of Synergy Consulting (which provides consultancy services to the Company). Despite this, the Directors believe that independence is not a state of mind that can be measured objectively and, given the character, judgement and decision making process of the individuals concerned, the Directors believe that Scott Fletcher and Aman Sachdeva can be considered independent.

In addition, Michael Haworth has served on the Board for a concurrent period longer than nine years and, in that respect only, does not meet the usual criteria for independence set out in the UK Corporate Governance Code. On the basis that he had no association with, and was independent from, the Group at the time of his appointment and his constructive contributions to Board discussions, the Directors consider that he remains independent.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of natural resources, infrastructure and finance. For details of the Directors past experience, please refer to 'Director's Biographies' session on page 16.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. As explained above, due to the relatively small size of the Group's operations, Directors and senior management are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of financial reporting.

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

Corporate Governance Statement

The Company has established Audit and Remuneration Committees of the Board with formally delegated duties and responsibilities. The Audit Committee comprises all of the Directors of the Company. The Remuneration Committee is made up of Michael Haworth, Aman Sachdeva and Scott Fletcher.

Since the appointment of Michael Haworth as Non-Executive Chairman, and given that due to the size of operations the Company does not currently have a nominations committee, he has been assessing the individual contributions of each of the members of the team to ensure that:

- their contribution is relevant and effective;
- that they are committed; and
- where relevant, they have maintained their independence.

Over the next 12 months, the Company intends to continue to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner.

Conflicts of interest

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

- (a) any matter which would otherwise result in a Director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest (including a conflict of interest and duty or conflict of duties);
- (b) a Director to accept or continue in any office, employment or position in addition to his office as a Director of the Company and may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises provided that for this purpose the Director in question and any other interested Director are not counted in the quorum at any Board meeting at which such matter, or such office, employment or position, is approved and it is agreed to without their voting or would have been agreed to if their votes had not been counted.

Company materiality threshold

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

Culture

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Directors believe that the main determinant of whether a business behaves ethically and with integrity is the quality of its people. As the Board currently fulfils the responsibilities that might otherwise be assumed by a nominations committee, the Directors have responsibility for ensuring that individuals employed by the Group demonstrate the highest levels of integrity.

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

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

Corporate Governance Statement

Board meetings

Board meetings are held on average every quarter and more frequently when required. Decisions concerning the direction and control of the business are made by the Board. The Board is satisfied that

each of the Directors are able to allocate sufficient time to the Group to discharge their responsibilities effectively. The number of meetings held during the year was 9 and attendance is outlined below:

Attendance by directors	Board meetings
Michael Haworth	9
Aman Sachdeva	8
Scott Fletcher	5
Hanno Pengilly	9

Generally, the powers and obligations of the Board are governed by the Company's Memorandum and Articles and the BVI Business Companies Act 2020 as amended and the other laws of the jurisdictions in which it operates. The Board is responsible, inter alia, for setting and monitoring Group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the Shareholders.

The Audit Committee

During 2021, the Audit Committee members were Scott Fletcher (Committee Chairman), Michael Haworth, Aman Sachdeva and Hanno Pengilly.

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

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual and half year results, financial statements and accompanying reports before their submission to the Board and monitoring the controls which ensure the integrity of the financial information reported to the Shareholders. The Audit Committee meets with the Group's auditors to review reports in respect of the annual audit and considers the significant accounting policies, judgements and estimates involved in the Group's financial reporting, together with the scope of the audit and the auditor fees and independence.

The Board notes that additional information supplied by the Audit Committee has been disseminated across the whole of this Annual Report, rather than included as separate Committee Reports. The Audit Committee met once in the year.

The Remuneration Committee

The Remuneration Committee in 2021 was comprised of Scott Fletcher (Committee Chairman), Michael Haworth and Aman Sachdeva.

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

A Remuneration Committee Report appears on pages 29 to 30.

Internal financial control

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

Corporate Governance Statement

The Directors are conscious of the need to keep effective internal financial control, particularly in view of the cash resources of the Group. Due to the relatively small size of the Group's operations, the Directors and senior management are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control. The Directors have

reviewed the effectiveness of the procedures presently in place and consider that they are still appropriate to the nature and scale of the operations of the Group.

Continuous disclosure and Shareholder communication

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

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

Managing business risk

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

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

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

Remuneration Committee Report

At the year end, being 31 December 2021, the Remuneration Committee comprised Scott Fletcher, Aman Sachdeva and Michael Haworth.

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

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

Long Term Incentive Plan ("LTIP") and unapproved share option scheme

The Company adopted an LTIP and unapproved share option scheme which are administered by the Committee. These are discretionary and the Committee will decide whether to make share awards under the LTIP or unapproved share option scheme at any time. As at 31 December 2021 the following awards to Director remained in place:

Non-Executives	Date of grant	Number granted	Exercise price(GBP)	Expiry
Aman Sachdeva	25 May 2018	1,000,000	6.25p	10 years
Aman Sachdeva	26 Nov 2019	750,000	6.5p	10 years
Hanno Pengilly	25 May 2018	550,000	8.625p	10 years
Hanno Pengilly	25 May 2018	150,000	8.625p	10 years
Hanno Pengilly	25 May 2018	300,000	8.625p	10 years
Hanno Pengilly	25 May 2018	2,375,132	7.5p	10 years
Hanno Pengilly	25 May 2018	1,187,566	5.0p	10 years
Hanno Pengilly	25 May 2018	1,187,566	10.0p	10 years
Hanno Pengilly	25 May 2018	1,187,566	15.0p	10 years
Hanno Pengilly	26 Nov 2019	6,333,332	6.5p	10 years
Scott Fletcher	12 Nov 2020	5,000,000	3.0p	3 years
Scott Fletcher	12 Nov 2020	2,500,000	5.0p	3 years
Scott Fletcher	12 Nov 2020	2,500,000	7.5p	3 years

Refer to note 19 for details of the vesting conditions attached to certain of the awards.

Grant of Share Awards

During 2021 no share options were issued to the Company's Directors (2020: 10,000,000 all to the Company's Directors).

Directors' Options

During 2021 no share options were issued to the Company's Directors (2020: 10,000,000).

Directors' service agreements

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

Non-Executive Directors' fees

The Company has adopted a standard level of fees for Non-Executive and Executive directors of £40,000 per annum, and £70,000 for the Chairman. The current Chairman has waived all fees since his original appointment. In addition, Aman Sachdeva has waived his Directors fees since 1 April 2015 and Scott Fletcher since 29 October 2020.

Directors' remuneration

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 December 2021 for individual directors who held office in the Company during the period.

Remuneration Committee Report

	Base Salary/fee US\$'000	Bonus US\$'000	Share based payments US\$'000	Total 2021 US\$'000	Total 2020 US\$'000
Michael Haworth	-	-	-	-	-
Aman Sachdeva	-	-	-	-	-
Scott Fletcher	-	-	-	-	49
Hanno Pengilly	240	-	-	240	540
Total	240	-	-	240	589

On behalf of the Board

Michael Haworth
Non-Executive Chairman

24 June 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements for the Group. The Directors have prepared the financial statements for each financial year which present fairly the state of affairs of the Group and of the profit or loss of the Group for that year.

The Directors have chosen to use the International Financial Reporting Standards as adopted by the European Union in preparing the Group's financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of financial statements.

International Accounting Standards require that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'.

In virtually all circumstances a fair presentation will be achieved by compliance with all applicable IFRS as adopted by the European Union. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

A fair presentation also requires the Directors to:

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

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2021 and of its loss for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

We have audited the financial statements of Ncondezi Energy Limited ("the Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2021 which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the consolidated financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 to the financial statements in respect of the Group's ability to continue as a going concern. As stated in Note 1, the Group will need to restructure its existing shareholder loans and working capital loan, as well as extend the working capital loan. The Group will need to obtain clarity on the Chinese funding of the project and the project tariff approval is still pending which restricts the Group from trading.

As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We considered the ability of the Group to continue as a going concern to be a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- We discussed the potential risks and uncertainties regarding going concern assessment and associated with areas such as the Group's operations, ability to secure funding and restructure the loan and the potential impact on finalisation of the power project tariff that are relevant to the Group's business model and operations. We formed our own assessment of risks and uncertainties based on our understanding of the business.
- We assessed the Directors' base case cash flow forecasts and the underlying key assumptions which have been approved by the Board. In doing so, we compared the operating cost forecast to historical expenditure rates, reviewed the shareholder loan and working capital agreements to assess committed project expenditure, the correspondence pertaining to raising additional financing through a share placing and evaluated the repayment terms of the loan facilities in

respect to the base cash flow forecasts. We have inspected the confirmation from the shareholders that they will not call in the loan, despite being in default.

- We performed a stress testing analysis on the Directors' base cashflow forecast considering the potential of the inability to secure anticipated funding, accelerated repayment on the Seritza loan on default and the inability to refinance loans.
- We further reviewed board minutes and market announcements for indications of additional cash requirements.
- We considered the Directors' judgement that they had a reasonable expectation of restructuring the shareholder loans, refinancing loans and securing additional financing to meet working capital requirements. In doing so, we inspected correspondence with the loan note holders, agreement signed with 39.6% of shareholders, made specific inquiries of the Board, considered the Group's history of fundraising and obtained written representations from the Board.
- We reviewed and considered the adequacy of the disclosure within the financial statements relating to the Directors' assessment of the going concern basis of preparation against the accounting standards.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	93% (2020: 97%) of Group loss before tax 92% (2020: 99%) of Group total assets		
Key audit matters		2021	2020
	Going concern	•	•
	Carrying value of the Group's mining and power assets	•	•
Materiality	<i>Group financial statements as a whole</i> US\$0.29m (2020:US\$0.31m) based on 1.5% (2020:1.5%) of total assets		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In approaching the audit, we considered how the Group is organised and managed. We completed a full scope audit on the Group's financial information and the components we deemed significant. The Group comprises seven components of which we identified three to be significant, being the Parent Company, one subsidiary based in Mozambique with the green energy subsidiary based in Mauritius being disposed of in the current financial period. A full scope audit was performed on significant components identified by BDO LLP as accounting records are maintained in the UK and management are based in the UK. Non-significant components were subject to analytical review procedures. All procedures on the non-significant components were performed by BDO LLP.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which

had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Carrying value of the Group's mining and power assets</p> <p>Refer to note 1 and 7</p> <p>The Group's mining and power assets represent its most significant assets as at 31 December 2021. The mining assets are held at their recoverable value which is below cost following impairments made in prior years. The recoverability of the carrying value of the Group's mining and power assets is dependent on a number of uncertain events, including raising funding to construct the power plant and agreement of a satisfactory tariff with the Government of Mozambique.</p> <p>Management are required to assess whether they consider there to be any indicators that the Group's mining and power assets may be impaired as at 31 December 2021 and whether any reversals of historic impairments are appropriate. Management determined that the mine and power assets represent one cash generating unit.</p> <p>Management performed an impairment assessment for the mining and power assets , with sensitivities applied considering inflationary adjustments and concluded that no impairment on the power and mine assets was necessary and that no reversal of impairment on the mining assets was required, which sets out the key judgements and estimates involved in the impairment assessment.</p> <p>Management have considered the impact of the announcement made by the Chinese Government that they will no longer support coal mining projects going forward.</p> <p>The appropriateness of the carrying value of mining and power assets represented a key audit matter given the significant judgements required in the impairment assessment.</p>	<p>We assessed the appropriateness of management's conclusion that the mining and power assets represented one cash generating unit, against the requirements of applicable accounting standards.</p> <p>We reviewed management's impairment review and performed our own assessment of impairment indicators in order to determine whether their assessment was complete and in accordance with the requirements of such standards.</p> <p>We challenged management on the Chinese Government announcement to divest from abroad-based coal projects. Further consultation revealed that the announcement is yet to be legislated and we further corroborated, through inspection of letters from CMEC and the virtual signing of the Power Plant EPC that CMECs continued support on the project with no noted withdrawal evidenced to date</p> <p>We obtained the integrated power and mine asset financial model, prepared by management's external consultant, and confirmed that in the event that the power project receives funding and is constructed the model demonstrated headroom over the carrying value. In respect of key inputs in the model we confirmed that the project costs are consistent with quotes and supporting information, compared the discount rate to relevant third party rates and performed sensitivity analysis. We assessed the independence and competence of the external consultant.</p> <p>In respect of the electricity tariff, upon which the project development is dependent, which remains subject to agreement with the Mozambique Government, we obtained confirmation from management that the tariff rate represented their best estimate of</p>

	<p>the rate required by the Government based on recent discussions they had held with management and representatives from the Government, and we obtained specific written representation to that effect. We reviewed market reports and internal correspondence to confirm that they were consistent with the tariff used in the model and agreed the rate to documents submitted to the Government.</p> <p>We reviewed the only signed shareholders agreement term sheet with the project partners and obtained supporting documents demonstrating progress and the continued feasibility of the project at this time.</p> <p>We assessed the appropriateness of management's conclusion that no reversal of impairment was required in respect of the mining assets, notwithstanding the headroom derived from the integrated model when compared to the power and mining assets as a whole under certain assumptions. We discussed this judgment with the Audit Committee, which included consideration of factors which may indicate a change in circumstances in respect of the underlying mining asset that gave rise to the original impairment on the mining assets and uncertainties that remain in the absence of a binding Joint Development Agreement or electricity tariff.</p> <p>Key observations:</p> <p>Based on the procedures performed, we found management's assessment of Carrying value of the Group's mining and power assets and disclosures in the financial statement to be appropriate.</p>
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	
	2021	2020
Materiality	US\$0.29 million	US\$0.31 million
Basis for determining materiality	1.5% of total assets	1.5% of total assets
Rationale for the benchmark applied	We consider total assets to be the appropriate benchmark due to the focus of stakeholders being on the assets of the Group.	We consider total assets to be the appropriate benchmark due to the focus of stakeholders being on the assets of the Group.
Performance materiality	US\$0.21 million	US\$0.21 million
Basis for determining performance materiality	70% of Group materiality, set after considering a number of factors including the expected value of known and likely misstatements	70% of Group materiality, set after considering a number of factors including the expected value of known and likely misstatements

Component materiality

We set materiality for each component of the Group based on a percentage of between 35% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from US\$0.10million (2020:US\$0.11million) to US\$0.26 million (2020:US\$0.27 million). In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of US\$14, 550 (2020: US\$15,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable for the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We consider the significant laws and regulations to be AIM listing rules, QCA corporate governance, tax and mining laws specific to Mozambique.
- Based on our understanding we designed our audit procedures to identify non-compliance with such laws and regulations impacting the Group. Our procedures involved making enquiries of Management and those charged with governance to understand their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance of laws or regulations by officers and employees of the Group, inquiring about the Group's methods of enforcing and monitoring compliance with such policies and reviewing board minutes to identify any instances of non-compliance. We have noted no such instances.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by obtaining an understanding of the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We considered the significant fraud risk areas to be in relation to revenue recognition and Management override of controls
- We addressed the risk of management override of internal controls, including testing a risk based selections of journals and evaluating whether there was evidence of bias in Management's estimates (Refer to the key audit matters' section) that represented a material misstatement due to fraud.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with the terms of our engagement letter dated 17 June 2022. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Chartered Accountants
London
United Kingdom
24 June 2022

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

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2021



	Note	2021 US\$'000	2020* restated US\$'000
Continuing operations:			
Other administrative expenses	3	(1,530)	(1,556)
Share-based payment charge	3	(529)	(292)
Total administrative expenses and loss from operations		(2,059)	(1,848)
Net finance income/(expense)	4	212	(910)
Loss for the year before taxation from continuing operations		(1,847)	(2,758)
Taxation	5	-	-
Discontinued operations:			
Profit earned on the disposal of the discontinued operations	10	111	-
Gain/(Loss) for the year for discontinued operations		27	(55)
Gain/(Loss) for the year before taxation from discontinued operations		138	(55)
Taxation	5	-	-
Loss and total comprehensive loss for the year attributable to equity holders of the parent company		(1,709)	(2,813)
Loss per share expressed in cents			
Basic	6	(0.5)	(0.8)
Diluted	6	(0.4)	(0.7)

*The restatement relates to the discontinued operations

The notes on pages 43 to 70 form part of these financial statements.

Consolidated statement of financial position

as at 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
Assets			
Non-current assets			
Property, plant and equipment	7	18,450	18,348
Intangible assets	8	182	358
Loan receivable	11	-	665
Total non-current assets		18,632	19,371
Current assets			
Trade and other receivables	12	74	112
Cash and cash equivalent	13	900	853
Total current assets		974	965
Total assets		19,606	20,336
Liabilities			
Current liabilities			
Trade and other payables	14	363	550
Loans and borrowings	15	5,493	5,015
Derivative financial liability	16	15	759
Total current liabilities		5,871	6,324
Total liabilities		5,871	6,324
Capital and reserves attributable to shareholders			
Share capital	17	95,009	94,137
Accumulated losses		(81,274)	(80,125)
Total capital and reserves		13,735	14,012
Total equity and liabilities		19,606	20,336

The financial statements were approved and authorised for issue by the Board of Directors on 24 June 2022 and were signed on its behalf by:

Michael Haworth
Non-Executive Chairman

The notes on pages 43 to 70 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended at 31 December 2021

	Share capital US\$'000	Accumulated Losses US\$'000	Total US\$'000
At 1 January 2021	94,137	(80,125)	14,012
Loss for the year	-	(1,709)	(1,709)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year	-	(1,709)	(1,709)
Issue of shares	1,040	-	1,040
Costs associated with issue of shares	(168)	-	(168)
Broker's warrants issued	-	20	20
Trusts dissolution	-	11	11
Equity settled share-based payments	-	529	529
At 31 December 2021	95,009	(81,274)	13,735

	Share capital US\$'000	Accumulated Losses US\$'000	Total US\$'000
At 1 January 2020	92,660	(77,548)	15,112
Loss for the year	-	(2,813)	(2,813)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year	-	(2,813)	(2,813)
Issue of shares	1,910	-	1,910
Costs associated with issue of shares	(138)	-	(138)
Broker warrants issued	(351)	-	(351)
Exercise of share options	56	(56)	-
Equity settled share-based payments	-	292	292
At 31 December 2020	94,137	(80,125)	14,012

The notes on pages 43 to 70 form part of these financial statements.

Consolidated statement of cash flows

for the year ended at 31 December 2021

	2021 US\$'000	2020 US\$'000
Loss before taxation	(1,709)	(2,813)
Adjustments for:		
Finance (income)/expense	(212)	910
Share-based payment charge	529	292
Amortisation	176	164
Depreciation	67	67
Gain from disposal of discontinued operations (note 10)	(111)	-
Unrealised foreign exchange movements	(10)	-
Net cash flow from operating activities before changes in working capital	(1,270)	(1,380)
(Decrease)/increase in payables	(187)	146
Decrease/(increase) in receivables	38	(86)
Net cash flow from operating activities before tax	(1,419)	(1,320)
Income taxes refunded	-	-
Net cash flow from operating activities after tax	(1,419)	(1,320)
Investing activities		
Power and Mine development costs capitalised	(169)	(152)
JV investment prior to acquisition	-	(384)
Purchase of intangibles	-	(35)
Net cash flow from investing activities	(169)	(571)
Financing activities		
Issue of ordinary shares	1,040	1,910
Cost of shares issued	(55)	(138)
Proceeds from sale of discontinued operation	1,300	-
Working capital facility draw down	-	250
Repayment of bridge loan including interest	(650)	-
Net cash flow from financing activities	1,635	2,022
Net increase in cash and cash equivalents in the year	47	131
Cash and cash equivalents at the beginning of the year	853	722
Cash and cash equivalents at the end of the year	900	853

The notes on pages 43 to 70 form part of these financial statements.

Notes to the consolidated financial statements

1. Principal accounting policies

General

The Company is a public limited liability company incorporated on 30 March 2006 in the British Virgin Islands. The address of its registered office is Coastal Building, Wickham's Cay II, PO Box 2221, Road Town, Carrot Bay, Tortola, British Virgin Islands.

Going concern

As at 31 December 2022 the Group had cash reserves of approximately US\$900,000. Based upon projections that include corporate costs, salaries of staff and consultant fees, project costs to progress both the Project and Solar Project, the Group is funded into August 2022 with the potential to extend this to Q1 2023, depending on the outcome of Restructuring discussions with Seritza for the Working Capital Facility and the Shareholder Loan.

The Shareholder Loan of US\$5,197,000 as at period end (including principal, historic redemption premium and interest) matured on 30 November 2019. The 3 November 2020 Undertaking not to call in the Shareholder Loan before the later of 30 November 2022 or when the Restructuring is completed is still valid. The Undertaking prevents the Shareholder Loan from being called as a majority agreement representing 66.7% of Shareholder Loan holders is required. The Restructuring is subject to the Lenders agreeing to the documentation and the necessary related party transaction process being completed by the Company's Independent Directors.

The Working Capital Facility of US\$296,000 as at 31 December 2021 (including principal and interest) and was repayable in March 2022. On 1 June 2022 the repayment date was extended to 30 June 2022, whilst restructuring discussions are still being finalised. The Company is currently evaluating options to extend, restructure or repay the loan.

The Bridge Loan of US\$650,000 was repaid in December 2021.

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 funding potential C&I 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 Shareholder loan and Working Capital Facility further funding will be required as detailed above to meet operating cash flows under current forecasts beyond August 2022 at the earliest, or Q1 2023 at the latest or in the event of accelerated project advancement. The Directors are exploring a number of funding and working capital solutions. 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.

At the end of 2020, the Company submitted an updated Project feasibility study and tariff proposal to EDM for review and comment. Although positive steps to progress the tariff were made during 2021, further progress awaits clarity on China's position on the availability of financing for the Project following President Xi's announcement regarding financing restrictions for coal power projects abroad in September 2021. While the outcome on financing from China is outside of the Company's control, we continue to work closely with CMEC to resolve the issue. In addition, the Company and CMEC have initiated steps to identify potential alternative financing solutions.

While the risk presented by COVID-19 has decreased it potentially still represents a risk to a number of aspects of the Group's business, including lack of access to the Project and in person meetings with the Project Partners, Government, EDM and potential finance partners which may cause a delay to the Project. The Group is cognisant new variants may result in further lockdowns and continues to closely monitor the situation and to develop appropriate response plans.

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.

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

The lack of clarity on Chinese funding for the Project, finalisation of the tariff, restructuring of the loans and funding beyond August 2022 indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. Such adjustments would principally be the write down of the Group's non-current assets.

Basis of preparation

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

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

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

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

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

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

New and amended standards which are effective for these Financial Statements

The following new and revised standards and interpretations, all of which are effective for accounting periods beginning on or after 1 January 2021, have been adopted in the current financial year.

(a) *New standards, interpretations and amendments adopted from 1 January 2021*

One new standard impacting the Group that has been adopted in the annual financial statements for the year ended 31 December 2021:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16).
Upon review of the amendment, it was concluded that there was no impact from the perspective of the Group's results.

Standards in issue but not yet effective

The following standards, amendments and interpretations which have been recently issued or revised and are mandatory for the Group's accounting periods beginning on or after 1 January 2022:

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The financial impact of new standards, interpretations and amendments not yet effective has not yet been determined by the Group.

Basis of consolidation

Subsidiaries

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

Joint Arrangements

Certain Group activities are conducted through joint arrangements in which two or more parties have joint control. A joint arrangement is classified as either a joint operation or a joint venture, depending on the rights and obligations of the parties to the arrangement.

Joint operations arise when the Group has a direct ownership interest in jointly controlled assets and obligations for liabilities. The Group does not currently hold this type of arrangement.

Joint ventures arise when the Group has rights to the net assets of the arrangement. For these arrangements, the Group uses equity accounting and recognises initial and subsequent investments at cost, adjusting for the Group's share of the joint venture's income or loss, less dividends received thereafter. When the Group's share of losses in a joint venture equals or exceeds its interest in a joint venture it does not recognise further losses.

Joint ventures are tested for impairment whenever objective evidence indicates that the carrying amount of the investment may not be recoverable. The impairment amount is measured as the difference between the carrying amount of the investment and the higher of its fair value less costs of disposal and its value in use. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

Business combinations

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

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Segmental reporting

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

Share-based payments

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

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

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

When equity instruments are modified, if the modification increases the fair value of the award, the additional cost must be recognised over the period from the modification date until the vesting date of the modified award.

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

Property, plant and equipment

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

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

Plant and equipment	25%
Other	20%-33%
Buildings	10%
Power	Life of Mine ("LOM")
Mining assets	LOM

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

Intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill, if these assets are separable and their fair value can be measured reliably. Intangible assets acquired separately from the acquisition of a business are capitalised at cost. The cost of the other intangible assets with finite useful economic lives is amortised over that period. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If impaired, they are written down to the higher of fair value less costs to sell and value in use.

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

Amortisation and estimated useful lives

Intangible assets, excluding goodwill, are amortised on a straight-line basis over their estimated useful lives and charged to administrative expenses in the consolidated statement of profit or loss. The 36 months estimated useful lives of the intangible asset and started from the date of the ROFR relating to the C&I projects pipeline.

Power project costs

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

Exploration and evaluation assets

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

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

Mining assets

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

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

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

Impairment

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

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

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

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

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

The Group has three cash generating units being (1) the Power Project and Mine Project - this segment is involved in the exploration for coal and development of the coal mine and the development of a 300MW integrated power plant, (2) a C&I solar PV and battery storage project - this segment is focused on building and operating captive solar PV and battery storage solutions for the African C&I sector and (3) the corporate sector – this segment relates to the day to day of the business.

Foreign currency

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

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

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

Provisions

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

Taxation

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

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

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

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

Financial instruments

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

Financial assets

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

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

Financial assets at amortised cost

Assets at amortised cost comprise Trade and Other Receivables and Loan Receivables which are measured on initial recognition at fair value and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand, deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortised cost which comprise mainly of receivables and loan receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments. Impairment provisions for other receivables and loan receivables are recognised based on a forward looking ECL model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month ECL along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime ECL along with interest income on a net basis are recognised.

Financial liabilities

Financial liabilities held at amortised cost

Financial liabilities refer to trade and other payables and loans and borrowings (including the host debt in a convertible instrument) and are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Where loans and borrowings include a redemption premium, the estimated premium is included in the calculation of the effective interest rate.

Where there is a modification to a financial liability, the original financial liability is de-recognised and a new financial liability is recognised at fair value in accordance with the Group's policy.

Convertible loan

Convertible loan notes are assessed in accordance with IAS 32 Financial Instruments: Presentation to determine whether the conversion element meets the fixed-for-fixed criterion. Where this is met, the instrument is accounted for as a compound financial instrument with appropriate presentation of the liability and equity components.

Where the fixed-for-fixed criterion is not met, the conversion element is accounted for separately as an embedded derivative which is measured at fair value through profit or loss. On issue of convertible

Notes to the consolidated financial statements

1. Principal accounting policies (*continued*)

borrowing, the fair value of the embedded derivative is determined and the residual value is recorded as a host liability initially at fair value and subsequently at amortised cost.

Issue costs are apportioned between the components based on their respective carrying amounts when the instrument was issued.

The finance costs recognised in respect of the convertible borrowings includes the accretion of the liability.

Financial liabilities at fair value through profit or loss

This category comprises warrants instruments classified as derivative financial liabilities due to the warrant resulting in the issue of a variable number of shares and the embedded derivative within the Shareholder Loan. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any other financial liabilities as being at fair value through profit or loss.

Fair value measurement hierarchy

The Group classifies its financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (note 22). The fair value hierarchy has the following levels:

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2);
- c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within the financial liability is determined on the basis of the lowest level input that is significant to the fair value measurement.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments. The Company considers its capital to be total equity. The Company is not subject to any externally imposed capital requirements.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when: they are available for immediate sale subject only to customer conditions; management is committed to a plan to sell; it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn; an active programme to locate a buyer has been initiated; the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and a sale is expected to complete within 12 months from the date of classification.

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

2. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a

Notes to the consolidated financial statements

2. Critical accounting estimates and judgements (*continued*)

significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Accounting judgements and estimates

(i) Impairment of power and mining assets

The carrying value of the power plant and mining assets in note 7 are dependent on the success of the power plant project. Management's judgement is that no indicators of impairment have occurred during the year. This has included consideration of the potential sources of impairment indicators prescribed under IAS 36. Management have considered key milestones including the "in principle" agreement of the historical costs with CMEC, signing of the power plant EPC contract with CMEC and the continued commitment of CMEC to the Project and submission of the Upgraded Transmission Integration Study, and risks including Project capex inflation impacting the tariff and China's new policy on overseas coal power financing. The wording of the new policy and the exact scope of the ban remains unclear in particular for "Priority Projects" of which the Ncondezi Project is one, nor has the Company received any formal communication from either CMEC or the Chinese Government that the Project is to be shelved or cancelled. Meanwhile China is undergoing negative GDP growth forecasts as a result of their ongoing lockdown policy, currency depreciation and commodity price inflation. This situation has the potential for China to turn to historically proven tools to restore growth including increased credit and policy support for sectors such as infrastructure build out, potentially delaying recent commitments such as the restrictions on coal financing. It must be noted that Ncondezi has no control over the Chinese Government's application of the coal power funding policy towards the Project.

Tariff negotiations with EDM to date have been positive however the tariff can not be finalised until clarity is gained on financing from China. The financial model which has been used as a basis for the tariff negotiations has been stress tested for cost inflation and management are confident that they will still be able to agree a tariff within the range indicated by EDM and the Mozambique Government.

Management have also considered the impact of the Russian invasion of Ukraine in the post reporting period which has seen a dramatic rise in global thermal coal prices and structural change in the fundamentals for all key energy commodities (oil, gas and coal) which has forced many countries to rethink their energy strategies. Developing countries such as Mozambique have little optionality over their energy sources. The changing global energy environment emphasises the need for a diversified generation mix on the grid for greater energy security. In South Africa the energy supply deficit continues to grow with Eskom, the state run power utility, forecasting a current power deficit of 4,000MW to 6,000MW which is set to increase over the coming years as they are forced to retire ageing power stations. Mozambique, as the largest exporter of power to South Africa, is in a good position to take advantage of this. Management, having considered the risks and de-risking events, have determined that at this point in time it is more likely than not that the power plant will be developed given the progress to date. The carrying value of the assets and feasibility of the Project is supported by the current integrated financial model. The integrated financial model is based on an approximate 10% reduction in the previous tariff which management anticipate being acceptable to the Government following benchmarking and formal discussions with EDM to date. However, negotiations are continuing and should an acceptable tariff not be agreed or other cost efficiencies realised or if clarity is not gained on the availability of Project construction financing, the Project may not proceed and the power assets may not be recoverable.

Following the JDA with CMEC and GE and the new integrated strategy in 2018 the power and mining projects are considered as one cash generating unit. This required judgement and factors considered included the integrated nature of the development project versus the previous development plans, the interdependent nature of the assets and project economics and the extent to which the assets could feasibly be developed independently.

(ii) Asset classified as held for sale

Management have considered whether the JDA with CMEC and GE was such that the power and mining assets met the criteria of IFRS 5. Having considered the non-binding status of the proposals at 31 December 2021 and associated risks and uncertainties, the extent of progress made towards finalising

Notes to the consolidated financial statements

2. Critical accounting estimates and judgements (*continued*)

the JDA and subsequent FC and the period of time to final completion of a transaction, management concluded that the criteria were not met.

(iii) Valuation of share options and warrants

Share options issued by the Company are fair valued when granted and warrants, which are classified as financial liabilities, are revalued at each reporting date. This requires the Group to determine an appropriate valuation methodology, which they have determined to be the Black-Scholes option pricing model. The use of this model requires the determination of a number of key assumptions which can have a significant effect on the valuation (notes 16 and 19).

3. Administrative expenses

	2021 US\$'000	2020* restated US\$'000
Staff costs	77	53
Professional and consultancy	1,042	1,115
Office expenses	74	78
Marketing and promotion	83	96
Travel and accommodation	9	12
Other expenses	7	21
Depreciation	67	67
Amortisation	176	164
Foreign exchange	(5)	(50)
Total administrative expenses	1,530	1,556

*The restatement relates to the discontinued operations

Auditors' remuneration

	2021 US\$'000	2020 US\$'000
Group auditors' remuneration		
- audit of the Group's accounts	75	73
Other services		
- interim review	2	2
	77	75

Auditors' remuneration is included within professional and consultancy costs.

Staff costs and Directors remuneration

	2021 US\$'000	2020 US\$'000
Wages and salaries	74	51
Directors remuneration	240	360
Share-based payment	529	292
Social security costs	3	2
	846	705

During 2021 US\$nil (2020: US\$nil) included within wages and salaries has been capitalised to the power project asset.

Notes to the consolidated financial statements

3. Administrative expenses (continued)

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

	2021 Number	2020 Number
Operational	1	1
Administration	2	3
	3	4

Key management compensation:

	2021 US\$'000	2020 US\$'000
Fees	240	442
Share-based payment	529	253
	769	695

Key management includes Directors and Consultants.

4. Net finance income

	2021 US\$'000	2020 US\$'000
Interest on loans (note 15)	627	531
Fair value adjustment on the warrants (note 16)	(839)	379
Fair value adjustment on the loan derivative	-	-
	(212)	910

5. Taxation

The Group entities subject to corporate income tax are Ncondezi Coal Company Mozambique Limitada and Ncondezi Power Company S.A. which are subject to tax at the rate of 32% (2020: 32%) on their profits in Mozambique. No tax charge/(credit) arose in the current or prior year for Ncondezi Coal Company Mozambique Limitada and Ncondezi Power Company S.A.

	2021 US\$'000	2020 US\$'000
Current tax	-	-
Group loss on ordinary activities before tax*	(1,847)	(2,813)
Effects of:		
Reconcile to Mozambique corporation tax rate of 32% (2020: 32%)	(591)	(900)
Differences arising from different tax rates	512	837
Foreign exchange effect originating in overseas companies	(36)	21
Unrecognised taxable losses in subsidiaries	115	42
Total tax for the year	-	-

* Pertains to continuing operations

During the exploration and development stages, the Group will accumulate tax losses which may be carried forward. As at 31 December 2021, no deferred tax asset has been recognised for tax losses of US\$1,071,000 (2020: US\$1,877,000) carried forward within the Group's overseas subsidiaries, as the recovery of this benefit is dependent on the future profitability, the timing and certainty of which cannot be reasonably foreseen.

Notes to the consolidated financial statements

5. Taxation (continued)

Tax losses in Mozambique are available for use over a five year period. Of the total available Mozambican subsidiary tax credits, US\$292,000 will be available until 31 December 2026, US\$64,000 will be available until 31 December 2025, US\$179,000 will be available until 31 December 2024, US\$77,000 will be available until 31 December 2023, US\$52,000 and will be available until 31 December 2022.

6. Loss per share

Basic loss per share is calculated by dividing the loss attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares outstanding during the year. Diluted loss per share is calculated by dividing the loss attributable to Ordinary Shareholders by the sum of the weighted average number of shares outstanding and dilutive shares (unvested share options and warrants).

Due to the losses incurred during the year a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share. Out of 37,637,227 (2020: 37,637,227) share incentives outstanding at the end of the year 12,294,058 (2020: 12,294,058) had already vested.

	2021			2020		
	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 EPS	(1,847)*	382,029	(0.5)	(2,813)	341,193	(0.8)
Diluted EPS	(1,847)*	447,142	(0.4)	(2,813)**	372,887	(0.7)

* Pertains to continuing operations

** Stating from PY before discontinued operations was adjusted for

7. Property, plant and equipment

	Power assets US\$'000	Mining assets US\$'000	Buildings US\$'000	Plant and equi. US\$'000	Other US\$'000	Total US\$'000
Cost (less impairment)						
At 1 January 2020	9,520	7,661	1,277	35	718	19,211
Additions	76	76	-	-	-	152
At 31 December 2021	9,596	7,737	1,277	35	718	19,363
Additions	135	34	-	-	-	169
At 31 December 2021	9,731	7,771	1,277	35	718	19,532
Depreciation						
At 1 January 2020	-	-	205	25	718	948
Depreciation charge	-	-	66	1	-	67
At 31 December 2021	-	-	271	26	718	1,015
Depreciation charge	-	-	66	1	-	67
At 31 December 2021	-	-	337	27	718	1,082
Net Book value 2021	9,731	7,771	940	8	-	18,450
Net Book value 2020	9,596	7,737	1,006	9	-	18,348

Power assets relate to the development of a 300MW power plant. In 2021, the Power assets remain classified as property, plant and equipment as detailed in note 1.

Mine assets relate to the initial acquisition of the licences and subsequent expenditure incurred in

Notes to the consolidated financial statements

7. Property, plant and equipment (*continued*)

evaluating the Ncondezi mine project. These were transferred from intangible assets on receipt of the mining concession in 2013.

Management has prepared an impairment assessment under IAS 36 as impairment indicators have been identified. The 2020 financial model was sensitized for inflationary adjustments indicating that the net present value is in excess of the carrying value thus no impairment was necessary. Management did not deem a reversal of impairment appropriate.

8. Intangible assets

	ROFR to C&I projects pipeline US\$'000	Total US\$'000
Cost		
At 1 January 2020	-	-
Additions	522	522
At 1 January 2021	522	522
Additions		
At 31 December 2021	522	522
Amortisation		
At 1 January 2020	-	-
Amortisation charge	164	164
At 1 January 2021	164	164
Amortisation charge	176	176
At 31 December 2021	340	340
Net Book value 2021	182	182

9. Subsidiaries

The Group has the following subsidiary undertakings:

		% interest 2021	% interest 2020	Country of incorporation	Activity
Zambezi Energy Corporation Holdings 1 Limited	'ZECH1'	100	100	Mauritius	Holding company
Zambezi Energy Corporation Holdings 2 Limited	'ZECH2'	100	100	Mauritius	Holding company
Ncondezi Coal Company Mozambique Limitada	'NCCML'	100	100	Mozambique	Mining exploration and development
Ncondezi Power Holdings 2 Limited	'NPH2L'	100	100	UAE	Holding company
Ncondezi Power Company SA	'NPCSA'	100	100	Mozambique	Energy company
Ncondezi Green Power Holding Ltd	'NGP'	100	100	BVI	Green Energy Holding company
Mozambique Green Power Ltd	'MGP'	-	100	Mauritius	Green Energy company

Notes to the consolidated financial statements

9. Subsidiaries (continued)

NCCML is owned by ZECH1 and ZECH2. NPH2L is owned by Ncondezi Energy Limited. NPCSA is owned by Ncondezi Energy Limited, ZECH1 and NPH2L. NGP is owned by Ncondezi Energy Limited. MGP was owned by NGP and was sold in the year.

10. Discontinued operations

Following the strategic review launched in June 2021 the Board decided that due to an increasingly challenging post COP26 environment, selling the C&I subsidiary would allow the Company to fully focus on progressing the Company's main project.

On 3 December 2021, under a sale and purchase agreement NGP sold MGP to Green Energy a company controlled by Ncondezi Non-Executive Director Scott Fletcher for a total consideration of US\$1,300,000 in cash. This was a related party transaction, refer to note 23.

This discontinued operation was part of the Solar PV & Battery Storage segment.

	2021 US\$'000
Consideration paid to the Company:	
Proceeds from sale of discontinued operations	1,300
Subsidiary net equity at disposal	
Non-current assets	
Loan receivable	1,020
Total non-current assets	1,020
Current assets	
Trade and other receivables	32
Cash and cash equivalents	163
Total current assets	195
Total net assets	1,215
Current liabilities	
Trade and other payables	(26)
Total net liabilities	(26)
Net equity of discontinued operations	1,189
Gain on disposal of discontinued operations	111

11. Loan Receivable

	2021 US\$'000	2020 US\$'000
Balance at start of year	665	-
Provided during the year	355	
Disposed due to discontinued operations	(1,020)	665
Total non-current assets	-	665

C&I SPV entered into an AFA to provide funding of US\$1,189,000 for the construction of the C&I Maiden Project in Mozambique. As at the date of the MGP disposal US\$1,020,000 was provided out of the total funding.

Notes to the consolidated financial statements

12. Trade and other receivables

	2021 US\$'000	2020 US\$'000
Current assets:		
Other receivables	74	112
Total trade and other receivables	74	112

During the year no expected credit losses were recognised (2020: US\$nil). The Directors consider that the carrying amount of other receivables approximates their fair value.

13. Cash and cash equivalents

	2021 US\$'000	2020 US\$'000
Cash at bank and in hand	900	853
	900	853

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

	2021 US\$'000	2020 US\$'000
US Dollars	650	354
Great British Pounds	247	493
Mozambique Meticals	3	6
	900	853

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

14. Trade and other payables

	2021 US\$'000	2020 US\$'000
Other payables	55	57
Accruals	308	493
	363	550

Accruals includes US\$nil (2020: US\$nil) of interest in respect of the loans detailed in note 15. The fair value of payables is not significantly different from their carrying value.

15. Loans and borrowings

	2021 US\$'000	2020 US\$'000
Shareholder Loans (unsecured)	5,197	4,742
Working capital facility (unsecured)	296	273
Total loans and borrowings	5,493	5,015

Shareholder Loan

The Shareholder Loan term expired on 30 November 2019 with no extensions or restructuring legally agreed as at period end. The Shareholder Loan was US\$5,197,000 as at period end (2020: US\$4,742,000), with interest of 12% continuing to be accrued on the outstanding balance.

Notes to the consolidated financial statements

15. Loans and borrowings (*continued*)

On 26 November 2019, the Company received “in principle” support from all Lenders to enter a Shareholder Loan restructuring proposal. The Loan term expired on 30 November 2019 with no extensions or restructuring legally agreed as at the end of the period. The restructuring proposal is set out as below:

- Extension on existing terms, including 12% annual interest rate and ability for Lenders to swap debt for equity in part or in full at a conversion price of 10.0p per share
- 12 month extension from the future Restructuring approval date
- A right for Ncondezi to pay off the original principal amount of the Loan along with conversion of all interest into Ncondezi shares on AIM at a 25% to 30% premium to the 30 day VWAP

The restructuring process is currently waiting for completion of key Lender internal approval from AFC, which has incurred delays from the impact of COVID-19.

On 26 November 2019 and reconfirmed on 20 May 2020, all Lenders, including AFC, indicated that they will not call in the Shareholder Loan whilst the Restructuring is being finalised. On 3 November 2020 certain Board and management, including Chairman Michael Haworth and CEO Hanno Pengilly, who represent 39.6% of the Shareholder Loan signed an Undertaking not to call in the Shareholder Loan before the later of 30 November 2022 or when the Restructuring is completed. The Undertaking prevents the Shareholder Loan from being called as a majority agreement representing 66.7% of Shareholder Loan holders is required.

The Restructuring is subject to the Lenders agreeing to the documentation and the necessary related party transaction process being completed by the Company’s Independent Directors.

Finance cost recognised for the year in relation to the loan was US\$454,000 (2020: US\$508,000).

Working Capital Facility

The US\$750,000 working capital facility was made available for drawdown from 1 January 2020 until 30 June 2020 at the Company’s election and was repayable within 24 months from first drawdown, unless there was an event of default or the Company elected to prepay the facility. The default of the Shareholder Loan constituted an event of default under the Working Capital Facility therefore the facility has been classified as current.

There was a drawdown on 24 January 2020 of US\$250,000 and funds were received on 24 February 2020 the repayment date being two years from this date. Further drawdowns were not solicited and the working capital facility expired at the end of June 2020.

The Working Capital Facility attracts a 10% annual interest charge, payable at maturity or on repayment.

Finance cost recognised for the period in relation to the Working Capital Facility was US\$23,000 (2020: US\$23,000).

Bridge Loan:	2021 US\$'000
At 1 January 2021	-
Bridge Loan amount	500
30% coupon	150
Repayment	(650)
Total loans and borrowings as at 31 December 2021	-

Below are the loans and borrowings that have been settled during the current financial year.

The key terms of the Bridge Loan of US\$500,000 were as follows:

- Entered into on 3 May 2021

Notes to the consolidated financial statements

15. Loans and borrowings (*continued*)

- Fixed 30% coupon payable by NGP at the earlier of:
 - 6 months from first drawdown;
 - 20 business days from commissioning of the C&I Maiden Project; or
 - 20 business days from termination of any of the C&I Maiden Project key commercial agreements (together, the “Repayment Date”). Should the commissioning date be further delayed as a direct result of the COVID-19 pandemic, the Parties can agree an extension to the Repayment Date for up to 8 months from first drawdown.
- Increased coupon rate of 50% if NGP fails to repay the Bridge Loan by the Repayment Date.
- NGP agreed to enter a subordination deed with the Lenders pursuant to which the claims of the Lenders against NGP under the Bridge Loan shall rank ahead of and in priority to the claims of the Company against NGP under various intra Group loans made by the Company to NGP.
- Lenders’ conversion rights:
 - Right to convert the Bridge Loan into equity of NGP at a price of US\$6,650 per ordinary share should NGP fail to repay by the Repayment Date or under events of default typical for a project of this nature (“Ordinary Conversion”).
 - Ordinary Conversion would equate to the Lenders holding 53% of the then issued share capital of NGP in aggregate.
 - NGP has the right to repay the Bridge Loan at any time before the Ordinary Conversion is completed.
- Lenders’ material default conversion rights:
 - Right to convert the Bridge Loan into equity of NGP at a price of US\$396 per ordinary share should NGP become insolvent, enter a creditors process, issue shares without Lender approval or following 20 business days of a C&I Maiden Project event of default, fail to implement a written request by a Lender to sell the assets of the C&I Maiden Project (“Material Default Conversion”).
 - Material Default Conversion would equate to the Lenders holding 95% of the then issued share capital of NGP in aggregate.
 - NGP has the right to repay the Bridge Loan at any time before a Material Default Conversion is completed.

In December 2021 US\$650,000 drawdown plus 30% coupon was repaid to lenders. Finance cost recognised for the period in relation to the Directors’ Bridge Loan was US\$150,000 (2020: US\$nil).

16. Derivative financial liability

	2021 US\$'000	2020 US\$'000
Warrants	15	759
	15	759

Warrants

The fair value of the warrants on the grant date and reporting date were determined using the Black-Scholes Model and based on the following assumption:

Notes to the consolidated financial statements

16. Derivative financial liability (continued)

Year ended 31 December 2021

Share Price (£)	0.03	0.03	0.06	0.045	0.075	
Number issued	20,000,000	2,166,666	21,666,666	833,333	8,333,334	
Expected volatility	76%	75%	75%	75%	75%	
Options life (years)	1.5	2	2	1	1	
Expiring date	10.03.23	29.05.2022	29.05.2022	08.12.2021	08.12.2021	
Expected dividends	0	0	0	0	0	
Risk free rate	0.47%	0.74%	0.74%	0.25%	0.25%	
						2021
						US\$'000
FV at 1 January 2021	-	89,486	528,337	22,763	118,834	759,420
FV at recognition	94,152	-	-	-	-	94,152
Revaluation	(79,483)	(89,414)	(528,331)	-	-	(697,228)
Expired in the period	-	-	-	(22,763)	(118,834)	(141,597)
FV at period end	14,669	72	6	-	-	14,747

Year ended 31 December 2020

Share Price (£)	0.0625	0.03	0.06	0.045	0.075	
Number issued	1,520,000	2,166,666	21,666,666	833,333	8,333,334	
Expected volatility	90%	75%	75%	75%	75%	
Options life (years)	2	2	2	1	1	
Expiring date	10.06.2020	29.05.2022	29.05.2022	08.12.2021	08.12.2021	
Expected dividends	0	0	0	0	0	
Risk free rate	0.74%	0.74%	0.74%	0.25%	0.25%	
						2020
						US\$'000
FV at 1 January 2020	30,135	-	-	-	-	30,135
FV at recognition	-	39,953	220,081	15,983	77,602	353,619
Revaluation	-	49,533	308,256	6,780	41,232	405,801
Expired in the period	(30,135)	-	-	-	-	(30,135)
FV at period end	-	89,486	528,337	22,763	118,834	759,420

The warrants are classified at fair value through profit and loss as the functional currency of the Company is US\$ and the exercise price is set in GBP. The remaining total fair value of expired warrants are derecognised through the profit and loss.

On initial recognition the value of the warrants is deducted from the share capital balance. Subsequent changes in the fair value of the warrants are recognised through profit or loss.

During the period 833,333 warrants at a subscription price of 4.5p and 8,333,334 warrants at a subscription price of 7.5p issued in December 2020 expired. The remaining total fair value of US\$141,597 was derecognised through the profit and loss.

On 26 August 2021 2,000,000 warrants at a subscription price of 1.5p per share were issued to the Company's brokers this has been transferred to share based payment during the year. The 20,000,000 warrants at a subscription price of 3.0p per share were issued to investors. The warrants have an exercise period of eighteen months from 10 September 2021, the date the new shares were admitted to trading on AIM.

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

Notes to the consolidated financial statements

17. Share capital

	2021	2020
Number of shares		
Allotted, called up and fully paid		
Ordinary shares of no-par value	410,714,119	366,361,716
	Shares Issued Number	Share capital US\$'000
At 1 January 2020	366,361,716	94,137
Issue of shares	40,000,000	830
Issue of shares (creditors & bonuses)	4,352,403	210
Issue costs	-	(168)
At 31 December 2021	410,714,119	95,009
	Shares Issued Number	Share Capital US\$'000
At 1 January 2020	324,993,717	92,660
Issue of shares	40,799,999	1,910
Issue of shares (exercised share awards)	568,000	56
Issue costs	-	(138)
Warrants issued	-	(351)
At 31 December 2020	366,361,716	94,137

18. Reserves

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

Share capital	Amount subscribed for share capital, net of costs of issue
Retained earnings	Cumulative net gains and losses less distributions made, together with share-based payment equity increases

19. Share-based payments

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

Long term incentive plan and unapproved share option scheme

Exercise price per share	Grant date	Outstanding at start of year	Granted during the year	Exercised during the year	Lapsed/cancelled during the year	Outstanding at year end	Final exercise date
2021							
17.25p (26.3c)	26.04.13	150,000	-	-	-	150,000	25.04.23
Nil**	25.05.18	75,000	-	-	-	75,000	31.01.24
5p (6.7c)**	25.05.18	2,790,779	-	-	-	2,790,779	25.05.28
8.625p (11.5c)*	25.05.18	1,625,000	-	-	-	1,625,000	05.02.25
6.25p (8.4c)*	25.05.18	4,000,000	-	-	-	4,000,000	25.05.28

Notes to the consolidated financial statements

19. Share-based payments (*continued*)

Exercise price per share	Grant date	Outstanding at start of year	Granted during the year	Exercised during the year	Lapsed/cancelled during the year	Outstanding at year end	Final exercise date
2021 (<i>continued</i>)							
7.5p (10c)**	25.05.18	5,581,558	-	-	-	5,581,558	25.05.28
10p (13.4c)**	25.05.18	2,790,779	-	-	-	2,790,779	25.05.28
15p (20.1c)**	25.05.18	2,790,779	-	-	-	2,790,779	25.05.28
6.5p (8.4c)**	26.11.19	7,833,332	-	-	-	7,833,332	26.11.29
3p (3.96c)**	12.11.20	5,000,000	-	-	-	5,000,000	11.11.23
5p (6.61c)**	12.11.20	2,500,000	-	-	-	2,500,000	11.11.23
7.5p (9.91c)**	12.11.20	2,500,000	-	-	-	2,500,000	11.11.23
Total		37,637,227	-	-	-	37,637,227	
WAEP (cents)		9.32	-	-	-	9.32	

Exercise price per share	Grant date	Outstanding at start of year	Granted during the year	Exercised during the year	Lapsed/cancelled during the year	Outstanding at year end	Final exercise date
2020							
Nil	27.05.10	2,400,000	-	-	(2,400,000)	-	26.05.20
25c	27.05.10	800,000	-	-	(800,000)	-	26.05.20
17.25p (26.3c)	26.04.13	150,000	-	-	-	150,000	25.04.23
Nil	31.01.14	225,000	-	-	(225,000)	-	30.06.20
Nil*	25.05.18	868,627	-	(868,000)	(627)	-	24.05.28
Nil**	25.05.18	75,000	-	-	-	75,000	31.01.24
5p (6.7c)**	25.05.18	2,790,779	-	-	-	2,790,779	25.05.28
8.625p (11.5c)*	25.05.18	1,625,000	-	-	-	1,625,000	05.02.25
6.25p (8.4c)*	25.05.18	4,000,000	-	-	-	4,000,000	25.05.28
7.5p (10c)**	25.05.18	5,581,558	-	-	-	5,581,558	25.05.28
10p (13.4c)**	25.05.18	2,790,779	-	-	-	2,790,779	25.05.28
15p (20.1c)**	25.05.18	2,790,779	-	-	-	2,790,779	25.05.28
6.5p (8.4c)**	26.11.19	7,833,332	-	-	-	7,833,332	26.11.29
3p (3.96c)**	12.11.20	-	5,000,000	-	-	5,000,000	11.11.23
5p (6.61c)**	12.11.20	-	2,500,000	-	-	2,500,000	11.11.23
7.5p (9.91c)**	12.11.20	-	2,500,000	-	-	2,500,000	11.11.23
Total		31,930,854	10,000,000	(868,000)	(3,425,627)	37,637,227	
WAEP (cents)		9.71	6.11	-	-	9.32	

* Vest on grant date

** Vest upon delivery of specific milestones

The Company's mid-market closing share price at 31 December 2021 was 0.95p (31 December 2020: 5.50p). The highest and lowest mid-market closing share prices during the year were 6.10p (2020: 6.05p) and 0.775p (2020: 2.85p) respectively.

Of the total number of options outstanding at year end no options had vested during the period (2020: 12,294,058). The weighted average exercise price for the exercisable options at year end was 10.31p (2020: 8.79p).

The weighted average contractual life of the options outstanding at the year-end was five years and four months (2020: six years and four months).

The fair value of the share awards granted under the Group's unapproved share option scheme has been calculated using the Black-Scholes model and spread over the vesting period. The following principal assumptions were used in the valuation in the current and prior year:

Notes to the consolidated financial statements

19. Share-based payments (*continued*)

Grant date	Share price at date of grant	Exercise price per share	Volatility	Period likely to exercise over	Risk-free investment rate	Fair value
25.05.18	5.50c	(nil)	113.33%	5 years	0.7%	5.50c
25.05.18	5.50c	11.54c(8.625p)	113.33%	5 years	0.7%	4.30c
25.05.18	5.50c	6.69c(5p)	113.33%	5 years	0.7%	4.46c
25.05.18	5.50c	10.04c(7.5p)	113.33%	5 years	0.7%	4.40c
25.05.18	5.50c	13.38c(10p)	113.33%	5 years	0.7%	4.20c
25.05.18	5.50c	20.07c(15p)	113.33%	5 years	0.7%	4.00c
25.05.18	5.50c	8.36c(6.25p)	113.33%	5 years	0.7%	4.50c
26.11.19	6.70c	8.37c(6.50p)	113.51%	5 years	0.6%	5.20c
12.11.20	4.95c	3.96c(3p)	77.00%	3 years	0.18%	2.72c
12.11.20	4.95c	6.61c(5p)	77.00%	3 years	0.18%	2.09c
12.11.20	4.95c	9.91c(7.50p)	77.00%	3 years	0.18%	1.60c

The volatility rates have been calculated using analysis of historic Company share price volatility.

Based on the above fair values, the expense arising from equity-settled share options made to Directors and consultants was US\$0.5 million for the year (2020: US\$0.3 million including Directors and consultants).

20. Segmental analysis

In 2020 and 2021 the Group had the following reportable segments, following the C&I project acquisition:

- C&I solar PV and battery storage project - this segment is involved in providing solar PV and battery storage solutions for the African C&I sector to replace existing off-grid (normally diesel) power supplies, or to supplement on-grid connections
- Power Project and Mine Project - this segment is involved in the exploration for coal and development of coal mine and the development of a 300MW integrated power plant next to the Group's coal mine concession areas in Mozambique
- Corporate - this comprises head office operations and the provision of services to Group companies

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

The operating results of each of these segments are regularly reviewed by the Group's chief operating decision-maker in order to make decisions about the allocation of resources and assess their performance. The Group's mine and power activities are interrelated and each activity is dependent on the other. Accordingly, all significant operating decisions are based upon analysis of the mine and power activities as one segment and corporate as one segment.

Notes to the consolidated financial statements

20. Segmental analysis (continued)

The segment results for the year ended 31 December 2021 are as follows:

Income statement for continuing operations	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
For the year ended 31 December 2021				
Segment result after allocation of central costs	(512)	(352)	(1,195)	(2,059)
Finance income	(150)	-	362	212
Loss before taxation	(662)	(352)	(833)	(1,847)
Taxation	-	-	-	-
Loss for the year	(662)	(352)	(833)	(1,847)

Income statement for discontinued operations	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
For the year ended 31 December 2021				
Segment result after allocation of central costs	138	-	-	138
Finance expenses	-	-	-	-
Loss before taxation	-	-	-	-
Taxation	-	-	-	-
Gain for the year	138	-	-	138

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

Income statement for continuing and discontinued operations	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
For the year ended 31 December 2021				
Depreciation charged to the income statement	-	(67)	-	(67)
Share-based payment	-	-	(529)	(529)

The segment assets and liabilities at 31 December 2021 and capital expenditure for the year then ended are as follows:

Statement of financial position for continuing operations	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
At 31 December 2021				
Segment assets	754	18,221	631	19,606
Segment liabilities	(1)	(217)	(5,653)	(5,871)
Segment net assets	753	18,004	(5,022)	13,735
Property plant and equip. capital expenditure	-	169	-	169

Notes to the consolidated financial statements

20. Segmental analysis (continued)

Statement of financial position for discontinued operations	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
At 31 December 2021				
Segment assets	-	-	-	-
Segment liabilities	-	-	-	-
Segment net assets	-	-	-	-
Property plant and equip. capital expenditure	-	-	-	-

The segment results for the year ended 31 December 2020 are as follows:

Income statement	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
For the year ended 31 December 2020				
Segment result after allocation of central costs	(460)	(496)	(947)	(1,903)
Finance expense	-	-	(910)	(910)
Loss before taxation	(460)	(496)	(1,857)	(2,813)
Taxation	-	-	-	-
Loss for the year	(460)	(496)	(1,857)	(2,813)

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

Income statement	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
For the year ended 31 December 2020				
Depreciation charged to the income statement	-	(67)	-	(67)
Amortisation charged to the income statement	(164)	-	-	(164)
Share-based payment	-	-	(292)	(292)

The segment assets and liabilities at 31 December 2020 and capital expenditure for the year then ended are as follows:

Statement of financial position	Solar PV & Battery Storage project US\$'000	Power & Mine project US\$'000	Corporate US\$'000	Group US\$'000
At 31 December 2020				
Segment assets	1,720	17,486	1,130	20,336
Segment liabilities	(1)	(216)	(6,107)	(6,324)
Segment net assets	1,719	17,270	(4,977)	14,012
Property plant and equip. capital expenditure	-	152	-	152
Intangible asset expenditure	35	-	-	35

Notes to the consolidated financial statements

21. Reconciliation of liabilities arising from financing activities

	Loans and borrowings US\$'000	Derivative financial liability US\$'000	Total US\$'000
At 1 January 2021	5,015	759	5,774
Interest charges	478	-	478
Derecognition of warrants	-	(141)	(141)
Fair value of warrants issued	-	94	94
Fair value movement on warrants	-	(697)	(697)
At 31 December 2021	5,493	15	5,508

	Loans and borrowings US\$'000	Derivative financial liability US\$'000	Total US\$'000
At 1 January 2020	4,234	30	4,264
Cash flows	250	-	250
Interest charges	531	-	531
Derecognition of warrants	-	(29)	(29)
Fair value of warrants issued	-	353	353
Fair value movement on warrants	-	405	405
At 31 December 2020	5,015	759	5,774

22. Financial instruments

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 1.

There have been no substantive changes in the Group's objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises, are as follows:

	2021 US\$'000	2020 US\$'000
Loans and receivables at amortised cost		
Trade and other receivables	46	46
Loan receivable	-	665
Cash and cash equivalents	900	853
Financial liabilities held at amortised cost		
Trade and other payables	363	550
Loans and borrowings	5,493	5,015
Financial liabilities at fair value through profit or loss		
Derivative financial liability	15	759

Notes to the consolidated financial statements

22. Financial instruments (*continued*)

For details of the fair value hierarchy and valuation techniques relating to the determination of the fair value of the derivative financial liability, refer to notes 2 and 16, respectively.

General objectives, policies and processes

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

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

Liquidity risk

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

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

2021	Total	on	in 1	Between 1	Between 6	Between 1
	US\$'000	demand	month	and 6	and 12	and 3
	US\$'000	US\$'000	US\$'000	months	months	years
				US\$'000	US\$'000	US\$'000
Trade and other payables	363	-	144	-	219	-
Loans and borrowings	5,493	5,493	-	-	-	-

2020	Total	on	in 1	Between 1	Between 6	Between 1
	US\$'000	demand	month	and 6	and 12	and 3
	US\$'000	US\$'000	US\$'000	months	months	years
				US\$'000	US\$'000	US\$'000
Trade and other payables	550	-	331	-	219	-
Loans and borrowings	5,015	5,015	-	-	-	-

The Group endeavours to match the maturity of its current assets with its current liabilities to mitigate liquidity risk. Refer to note 1 for the material uncertainty regarding going concern.

Borrowing facilities

The Group had US\$nil undrawn and unconditional committed borrowing facilities available at 31 December 2021 (2020: US\$nil).

Market risk

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

Currency risk

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

Notes to the consolidated financial statements

22. Financial instruments (*continued*)

A 5% appreciation in the value of the US\$ against the Meticais and GBP would increase net assets by US\$4,943 (2020: US\$26,950).

Currency exposures

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

	2021				2020			
	US\$'000				US\$'000			
	Assets/(liabilities) held				Assets/(liabilities) held			
	GBP	ZAR	MZN	Total	GBP	ZAR	MZN	Total
US Dollars	143	-	46	189	435	-	37	472
	143	-	46	189	435	-	37	472

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

23. 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, the outstanding principal plus interest amount up to 31 December 2021 of US\$1.6 million (2020: US\$1.5 million) related to a Trust of which Non-Executive Chairman, Michael Haworth is a potential beneficiary and US\$0.16 million (2020: US\$0.14 million), to Executive Director, Hanno Pengilly.

In relation to the Bridge Loan, of the US\$650,000 (principal plus interest) repayment amount on 7 December 2021 US\$65,000 relates to Non-Executive Chairman, Michael Haworth, US\$455,000 to Non-Executive Director, Scott Fletcher and US\$130,000 to Executive Director, Hanno Pengilly.

Refer to note 15 for details of the terms and conditions.

Hanno Pengilly – Executive Director of Ncondezi Energy Limited - Director of Herne Capital (Pty) Ltd (“HCL”)

During the year US\$240,000 (2020: US\$360,000) was paid by the Company to HCL in respect of services provided by Hanno Pengilly.

HCL provides leadership on key corporate activities such as capital raising, reporting and press releases and investor relations strategy.

Working Capital Facility

The US\$750,000 working capital facility expired at the end of June 2020. In total US\$250,000 had been drawn down. The facility was provided by a company owned by a trust of which CEO, Hanno Pengilly, is a potential beneficiary. At the end of the period the loan had accumulated US\$46,000 in interest. On 1 June 2022 the repayment date was extend to 30 June 2022, whilst restructuring discussions are still being finalised.

Notes to the consolidated financial statements

23. Related party transactions (*continued*)

Aman Sachdeva – Non-Executive Director of Ncondezi Energy Limited - CEO of Synergy

During the year US\$86,000 (2020: US\$110,000) was paid by the Company to Synergy in respect of services provided by Synergy. At 31 December 2021 the outstanding balance was US\$7,000 (2020: US\$nil).

Scott Fletcher - Non-Executive Director of Ncondezi Energy Limited

During the year Scott Fletcher subscribed 3,333,333 Ordinary Shares in the November 2021 Placing for a total of £50,000. Under the Share Placing a total of 1,666,667 warrants were issued to Scott Fletcher. Details of the warrants are contained in note 16.

The subsidiary MGP was sold for US\$1,300,000 to Green Energy, a company controlled by Scott Fletcher.

Details of Key Management Remuneration are contained in note 3.

24. Commitments

Social development programme

In December 2012 a Memorandum of Understanding was signed with the Mozambican Ministry of Mineral Resources and Energy in respect of a Social Development Programme, with a committed spend of US\$2.0 million following an agreed programme. By December 2016 half of this budget has been successfully spent in various initiatives. During the year there was no expenditure related to social development programmes (2020: US\$nil). Further to an Addendum, the program was postponed to be completed during the mining phase. In addition, upon receiving the mining concession in 2013 a further US\$5.0 million was committed. The expenditure programme is still to be negotiated with the Ministry of Mineral Resources and Energy.

Environmental licence fee

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

EMEM 5% investment in NCCML

Along with the issuance of the Mining Concession, Ncondezi's local subsidiary NCCML also concluded an Addendum to the Mine Framework Agreement ("MFA") with Mozambican Ministry of Mineral Resources and Energy. Under the terms of the Addendum to the MFA, it has been agreed that the Government owned Mozambican Mining Exploration Company ("EMEM") will be granted a 5% free carry in the share capital of NCCML up to the start of the Ncondezi mine's construction. However, from the commencement of construction EMEM will be required to pay, through an agreed funding mechanism, for its share of any future equity funding obligations that may be required from the shareholders of NCCML including its share of the construction and commissioning costs of bringing the Ncondezi mine into commercial operation.

25. Events after the reporting date

Ncondezi Power Project

- CMEC confirms ongoing commitment to the Project January 2022 and continues to lead the process to unlock Project financing

Grid Scale Solar Project

- Internal review and preliminary studies identify potential for a grid scale solar plus battery storage power project at the Project site (the "Solar Project") without compromising delivery of the main project

25. Events after the reporting date (*continued*)

Working Capital

- Seritza has confirmed that it will extend the period in which it will not call in the Working Capital Facility to 30 June 2022, whilst restructuring discussions are still being finalised
- Cash conservation strategy implemented potentially extending working capital runway from August 2022 to Q1 2023, depending on the Restructuring outcome and Shareholder Loan

Corporate

- On 9 May 2022 Scott Fletcher purchased an aggregate of 5,000,000 Ordinary Shares of no par value. Following this transaction, Scott Fletcher's beneficial interest in Ordinary Shares in the Company is 81,823,020 Ordinary Shares, representing 19.9 per cent. of the Company's issued share capital.

Company Information

Directors	Michael Haworth (Non-Executive Chairman) Scott Fletcher (Non-Executive Director) Aman Sachdeva (Non-Executive Director) Hanno Pengilly (Executive Director)
Company Secretary	Elysium Fund Management Limited PO Box 650, 1 st Floor, Royal Chambers St Julian's Avenue St Peter Port Guernsey GY1 3JX
Registered Office	Coastal Building Wickham's Cay II PO Box 2221 Tortola British Virgin Islands
Company number	1019077
Nominated Advisor and Corporate Broker	Liberum Capital Limited Ropemaker Place Level 12 25 Ropemaker Street London EC2Y 9AR
Joint Broker	Novum Securitates Ltrd Lansdowne House 57 Berkeley Square London W1J 6ER
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 Governors House 5 Laurence Pountney Hill London EC4R 0BR