NCONDEZI ENERGY

NEWS RELEASE

Interim Results for the six months ended 30 June 2022

30 September 2022: Ncondezi Energy Limited ("Ncondezi", the “Company” or the “Group”) (AIM: NCCL) announces its interim results for the six months ended 30 June 2022.

Operational Highlights:

Ncondezi Power Project

- China Machinery Engineering Corporation (“CMEC”) confirms ongoing commitment to the Project and continues to lead on 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

Financial and Corporate Highlights:

- 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 8 July 2022, whilst restructuring discussions were still being finalised (the “Seritza Restructuring”). As set out below, the Seritza Restructuring was finalised, subject to shareholder approval, post period end
- Cash conservation strategy implemented
- Cash at bank of US$0.4 million as at 30 June 2022. US$0.2 million as at 26 September 2022

Post period end events:

Grid Scale Solar Project

- Ncondezi Green Power (“NGP”) launches FS for up to 300MW solar PV power plant plus BESS (“Study”) with target completion end October 2022
- Positive initial results from the Solar Project Study, confirm the project’s excellent location for solar generation with no red flags identified
- Estimated pre-money NPV of between US$60.0 million and US$65.0 million and fully diluted cash flows of between US$130.0 million and US$180.0 million over a 25 year period for a 300MW plant

Working Capital

- Restructuring of Working Capital Facility to a convertible loan note ("Convertible Loan") ("Restructuring") finalised, subject to shareholder approval of the issue of shares under the Convertible Loan to be sought at the annual general meeting

- Convertible Loan increased by an additional £100,000 made available by certain Directors of the Company, to accelerate development of the Solar Project ("First Tranche")

- An additional tranche of £150,000 may be made available to the Company at the Convertible Loan lender's discretion in the six months following the restructuring ("Second Tranche")

- Current cash position provides a working capital runway to the end of October 2022. The Company needs, and intends to secure, additional funding during October 2022, with the Second Tranche being one short term option. Further announcements will be made in relation to funding as required

Shareholder Loan

- Certain Directors have entered into a binding Undertaking (the "Undertaking") preventing the Shareholder Loan being called before the later of 30 November 2023 ("Undertaking Period")

Financial highlights:

	6 months to 30 June 2022 US$'000	6 months to 30 June 2021 US$'000
Loss for the period	**(743)**	**(540)**
Loss per share – cents	**(0.2)**	**(0.1)**
Cash at bank	**436**	**374**

Enquiries

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About Ncondezi Energy

Ncondezi is an African power development company focused on the development of renewable and baseload energy solutions at its concession located in the Tete Province, northern Mozambique.

The Company is focused on providing reliable and affordable energy to Mozambique to meet growing energy demands. Our projects 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. Our projects would provide reliable and available power helping to close the infrastructure gap of the region and serving as a catalyst for economic development.

Chairman's Statement

Dear Shareholder,

The first half of 2022 has seen limited progress at the Company's Ncondezi Project, driven by a lack of clarity from the sector's largest financier, China, on financing advanced stage coal projects abroad. However, during this period the Company has taken proactive steps to identify other potential opportunities to unlock shareholder value through its wholly owned green energy subsidiary, NGP.

In July, the Company formally announced its intention to launch the Study for up to 300MW solar PV plus BESS following positive pre-feasibility study results and support from the Mozambique authorities. The Board believes the Solar Project represents a significant opportunity to crystalise additional value for shareholders, with initial estimated pre-money NPV of between US$60.0 million and US$65.0 million , and fully diluted cash flows of between US$130.0 million and US$180.0 million over a 25 year period for a 300MW plant. The Study will further refine these figures, taking into account final transmission solution and scaling strategy.

Initial results from the Study have confirmed that the target project location within the Company's existing mining concession in Tete, Mozambique, has excellent solar generation resources with no immediate red flags identified. The Study is expected to be completed at the end of October 2022, targeting a market leading power tariff offering for the region. We believe that should it proceed, the Solar Project would be one of the largest solar PV projects undertaken in Mozambique to date and expect the project to be uniquely positioned in the market, able to scale quickly and take advantage of economies of scale. In addition, we expect the Solar Project to deliver a low cost accelerated development programme to financial close, achievable through leveraging existing advanced stage development work from the Company's Ncondezi Project. Planning for success, there is a clear roadmap for delivery of power onto the Mozambican Grid in 2024 which is exciting.

The Solar Project will look to supply power into the Mozambican northern grid, which is a generation hub for Mozambique and the broader southern African region. Discussions with potential off-takers for the project's power have already started and we are reassured by the calibre of the parties engaging with us. The Board believes that the Company's move into the grid scale renewable energy space will broaden investor appetite and provide access to competitive project financing as the Company aligns more closely with growing investor and government demands to secure more renewable energy generation.

With respect to the Ncondezi Project, we have continued to work closely with our development partners CMEC to break the financing deadlock. So far in 2022, China has continued to support certain advanced stage coal power projects abroad whilst formally terminating others, with limited clarity on the driving forces behind these decisions. 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. Coal power still plays a major role globally as the single largest source of power generation and a key player in energy security. Nowhere has this been more evident than in Europe, where the recent impact of the war in Ukraine on European energy security has seen a number of coal power plants brought back into commission and sent coal prices soaring globally. Africa has the lowest energy security in the world, and we believe the Ncondezi Project continues to offer a low cost, reliable baseload solution utilising the latest emission control technologies. All workstreams to progress and finalise the tariff remain ready to proceed as soon as financing is confirmed. The Board has halted all non essential expenditure on the Ncondezi Project and launched an internal review process to evaluate all potential options to maximise value to shareholders in the near term.

Financing

On 29 March 2022, the Company announced the completion of a cash conservation strategy to extend the Company's cash reserves, including further overhead cost optimisations and reducing management salaries including a 40% reduction for Company CEO, Hanno Pengilly.

On 16 September 2022, the Company announced that it had completed the Restructuring of the Seritza working capital facility into a convertible loan that matures at the end of November 2023. In addition, Company NED, Scott Fletcher, and myself agreed to provide an additional £100,000 to the Convertible Loan to provide working capital for the Company to deliver first results on the Solar Project Study this month. The Restructuring provides the Company with an attractive financing solution, protecting existing working capital and increasing repayment optionality. A further tranche of £150,000 may be made available to the Company at the Convertible Loan Lenders' discretion in the six months following the Restructuring.

In addition, the Undertaking which includes Hanno Pengilly and myself, was signed and prevents the Shareholder Loan being called before the later of 30 November 2023 or when the Shareholder Loan restructuring is completed, aligning all the Company's debts to 30 November 2023, so the Company can focus on delivering key project development milestones in the interim.

At the end of the period, the Company had cash reserves of approximately US$0.4 million.

Subject to the Shareholder Loan being extended and restructured, project costs related to the Ncondezi Project and planned expenditure related to the Solar Study, the Group will need to secure additional working capital during October 2022. The Directors are exploring a number of funding and working capital solutions to extend working capital beyond October 2022, including a further drawdown of £150,000 from the Convertible Loan. The Board is confident a funding solution will be finalised as the Company has a successful track record securing funding through debt and equity from its supportive Board, management team and shareholders. 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 or the terms on which such financing may be available.

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

Operational and Financial Review

Ncondezi is focused on the phased development of its renewable and baseload energy projects located near Tete in northern Mozambique.

Ncondezi Project

About the Ncondezi Project

The Ncondezi 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 Ncondezi Project is located near Tete in northern Mozambique.

The Ncondezi 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 Ncondezi 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 Ncondezi 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 Ncondezi Project's strategic partner, with a proposed 60% equity shareholding.

Ncondezi Project Work Programme Status

The next major development milestone for the Project is finalisation of the power tariff. To progress this further the Company is still awaiting clarity on China's position on the availability of financing for the Ncondezi Project following President Xi's announcement regarding financing restrictions for coal power projects abroad in September 2021. In January CMEC reiterated their commitment to the Ncondezi Project and that they continued to lead the process on Ncondezi Project financing. Additional steps were also taken to identify potential alternative financing solutions. To date no such alternative financing solutions have been identified and 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.

Given the ongoing delays being caused by lack of clarity on Chinese financing for the Ncondezi Project, The Board has cut back on all non essential expenditure for the Ncondezi Project and launched an internal review process to evaluate all options for the Ncondezi Project to maximise value to shareholders in the near term.

The Company will provide further updates at the appropriate time.

Ncondezi Green Power

NGP is a wholly owned subsidiary of Ncondezi which provides solar PV and battery storage solutions in southern Africa. In May 2022 the Board announced that following an internal review on the Project they believed there is potential for a grid scale solar plus battery storage power project at the Project site (the "Solar Project") which offers a significant opportunity to unlock additional value for shareholders.

In July 2022, the Company announced that it was launching a feasibility study for the Solar Project to be conducted by NGP.

Overview of the Solar Project

The Solar Project will be located within the Ncondezi mining concession 5967C which covers over 25,000 hectares in the districts of Moatize and Chiuta in the Tete Province which is large enough for solar PV generation potential over 5,000MW. Three preferred site locations have already been identified, with similar climate conditions, that provide a generation potential of c.500MW each.

The concession area has above average Global Horizontal Irradiance ("GHI") and is located close to existing energy load centres in the Tete province.

It is the intention that the Solar Project would connect to the Mozambique grid with target power off-takers in Mozambique and the Southern African Power Pool (SAPP).

Pre-feasibility studies completed by NGP earlier this year confirm significant potential value to shareholders with an estimated pre-money NPV of between US$60m and US$65m, and fully diluted cash flows to NGP of between US$130.0 million and US$180.0 million over 25 year period for a 300MW plant. The Study will further refine these figures, taking into account final transmission solution and scaling strategy.

In July 2022 the Board announced the launch of a feasibility study for up to 300MW solar PV power plant plus BESS ("Study") and appointed WSP Group Africa (Pty) Ltd ("WSP") to lead it. The Study will take a modular design approach to the Solar Project targeting 300MW with the flexibility to sale in 30MW to 100MW increments.

The Company believes that WSP, one of the world's leading engineering professional services consulting firms, is well positioned to deliver the Study as it has delivered many renewable energy projects in Africa and has unique experience relevant to the Solar Project including leading the Company's thermal project feasibility study as well as other grid scale solar PV projects in Mozambique.

NGP has engaged the relevant Mozambique Government authorities throughout the Solar Project development process and received the prerequisite support to launch the Study. The Solar Project is aligned with Mozambique's strategy to increase energy availability in a sustainable manner and promote new energy investments in the private sector. Following successful completion of the Study, NGP will work with Government authorities to attain the relevant permissions to build and operate the Solar Project.

The Solar Project is uniquely positioned to take advantage of existing advanced development work completed for the Ncondezi 300MW thermal power plant that can be easily transitioned to the Solar Project. In September 2022, the Company announced the initial results from the Study which indicated that in addition to reducing development costs this has the potential to accelerate first power to the grid as early as 2024, using existing long lead time work streams already completed or at an advanced stage. The Company believes this will reduce the development timetable by 6 to 12 months. Completion of the Study is on track for the end of October 2022.

The following highlights were also provided:

<u>Site Location</u>

3 preferred site locations were investigated for their suitability for the Solar Project, all with similar climate conditions and a generation potential of c.500MW each. Site visits were completed earlier this month by the Company's lead Study consultant, WSP, and no red flags were identified on any of the sites. A preferred site has been identified and will be confirmed at the completion of the Study.

<u>Solar Resource Assessment</u>

Four weather datasets were obtained and reviewed for the Solar Project to confirm the solar energy that can be utilised by the solar modules. To ensure the solar data used was representative, a minimum of ten years of historical data was used to reduce any risks relating to inter-annual variation in the solar resource. The critical parameter for solar resource assessment is the Global Horizontal Irradiance ("GHI"), with the Solar Project achieving an average annual GHI of 1,980kWh/m^2 which is considered excellent for the region.

Energy Yield Assessment

Solar Project GHI results were used with system design assumptions to estimate the energy output of the project, achieving a specific yield of over 2,000kWh/kWp and performance ratio over 80%. These results are very positive, being in line with some of the most competitive grid scale projects in South Africa. It is worth noting that the specific yield and performance ratio do not vary as the Solar Project is scaled to 300MW, although the project will benefit from economies of scale in the overall capex.

Grid Connection

A full generation integration study was launched in parallel to the main Study to determine the optimal transmission line connection into the Mozambican grid. Various integration studies have been produced for the coal power project, and formed the basis for the Solar Project assessment. Working with the relevant local authorities, 6 potential solutions are being investigated taking into account potential scaling of the project, available or under construction transmission infrastructure and planned generation plants in the region. Initial results confirm that there is grid capacity for the Solar Project and more than one feasible evacuation solution. The next phase of the study will look to confirm the preferred transmission solution which optimises project economics, network capacity and timing.

ESIA Red Flag Review

WSP conducted a red flag review of the Company's existing ESIA and supporting documentation completed on the Company's coal power project and mine, with no major issues identified. As the Solar Project is planned to be installed within the coal project's concession area, the existing ESIA, which were approved by the Mozambican authorities, can be utilised and updated to meet the latest requirements local and international standards. This is expected to save significant cost and time for the Solar Project.

Financial overview

Results from operations

The Group made a loss after tax for the period of US$0.7 million compared to a loss of US$0.5 million for the previous interim period. The basic loss per share for the interim period was 0.2 cents (2021 H1: 0.1 cents) and the diluted loss per share was 0.1 cents (2021 H1: 0.1 cents)

Expenses totalled US$0.5 million (2021 H1: US$0.9 million). This includes US$0.5 million (2021 H1 US$0.6 million) of administrative expenses and US$0.003 million (2021 H1: US$0.3 million) of share-based payment charge. Administrative expenses refer principally to professional fees and underlying administrative expenses related to advancing the Ncondezi Project and Solar Project. Net financing expense totalled US$0.2 million (2021 H1: US$0.4 million income) comprising mainly of US$0.2 million interest charged on loans, further information can be found in note 9.

During the period, US$0.012 million (2021 H1: US$0.1 million) expenditure was incurred on the development of the Power Project and no expenditure was incurred on the development of the C&I sector (2021 H1: US$0.2 million).

Cash Flows

The net cash outflow from operating activities for the interim period was US$0.5 million (2021 H1: US$0.7 million).

Net cash outflow from investing activities was US$0.012 million related to the Ncondezi Project (2021 H1: US$0.3 million related to Power Project and C&I sector).

Net cash inflow from financing activities was US$nil (2021: US$0.5 million).

The resulting period end cash held totalled US$0.4 million (2021 H1: US$0.4 million).

Outlook

As at 30 June 2022 the Group had cash reserves of approximately US$0.4 million which, subject to the Shareholder Loan being extended and restructured, project costs related to the Ncondezi Project and planned expenditure related to the Solar Study, means that the Group is adequately capitalised to the end of October 2022. Additional working capital will need to be secured during October 2022 and Directors continue to explore 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.

At the end of 2020, the Company submitted an updated Ncondezi 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 Ncondezi 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 of US$5.4 million as at 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. Certain Directors have entered into a binding Undertaking preventing the Shareholder Loan being called before the later of 30 November 2023.

The Working Capital Facility of US$0.3 million as at 30 June 2022 (including principal and interest) matured on 24 February 2022. Agreement to restructure the Working Capital Facility into a Convertible Loan was completed and announced on 16 September 2022 extending the maturity to 30 November 2023.

In conjunction with the Restructuring of the Loan certain Directors agreed to increase the Convertible Loan by an additional £100,000.

In addition, notwithstanding the Shareholder Loan, further funding will be required as detailed above to meet operating cash flows under current forecasts beyond October 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. Such adjustments would principally be the write down of the Group's non-current assets.

Consolidated statement of profit or loss and other comprehensive income
for the six months ended 30 June 2022

	Note	**6 months ended 30 June 2022 Unaudited US$'000**	6 months ended 30 June 2021 Unaudited US$'000	Year ended 31 December 2021 Audited US$'000
Other administrative expenses		**(506)**	(642)	(1,530)
Share-based payment charge	10	**(3)**	(253)	(529)
Total administrative expenses and loss from operations		**(509)**	(895)	(2,059)
Net finance income/(expense)	9	**(234)**	355	212
Loss for the period before taxation		**(743)**	(540)	(1,847)
Taxation		**-**	-	-
Discontinued operations:				
Profit earned on the disposal of the discontinued operations		**-**	-	111
Gain for the year for discontinued operations		**-**	-	27
Gain for the year before taxation from discontinued operations		**-**	-	138
Taxation		**-**	-	-
Loss and total comprehensive loss for the period attributable to equity shareholders of the parent company		**(743)**	(540)	(1,709)
Loss per share expressed in cents				
Basic		**(0.2)**	(0.1)	(0.5)
Diluted	2	**(0.1)**	(0.1)	(0.4)

Consolidated statement of financial position
at 30 June 2022

	Note	**30 June 2022 Unaudited US$'000**	30 June 2021 Unaudited US$'000	31 December 2021 Audited US$'000
Assets				
Non-current assets				
Property, plant and equipment	3	**18,428**	18,392	18,450
Intangible Assets	4	**95**	270	182
Loan receivable		**-**	863	-
Total non-current assets		**18,523**	19,525	18,632
Current assets				
Trade and other receivables		**74**	87	74
Cash and cash equivalents		**436**	374	900
Total current assets		**510**	461	974
Total assets		**19,033**	19,986	19,606
Liabilities				
Current liabilities				
Trade and other payables		**298**	354	363
Loans and borrowings	5	**5,731**	5,548	5,493
Derivative financial liability	7	**12**	149	15
Total current liabilities		**6,041**	6,051	5,871
Total liabilities		**6,041**	6,051	5,871
Capital and reserves attributable to shareholders				
Share capital	6	**95,009**	94,347	95,009
Retained earnings		**(82,017)**	(80,412)	(81,274)
Total capital and reserves		**12,992**	13,935	13,735
Total equity and liabilities		**19,033**	19,986	19,606

Approved on behalf of the Board on 29 September 2022.

Michael Haworth
Non-Executive Chairman

Consolidated statement of changes in equity

for the six months ended 30 June 2022

	Share capital US$'000	**Retained earnings US$'000**	**Total US$'000**
At 1 January 2022	**95,009**	**(81,274)**	**13,735**
Loss for the period	**-**	**(743)**	**(743)**
Total comprehensive loss for the period	**-**	**(743)**	**(743)**
At 30 June 2022 (Unaudited)	**95,009**	**(82,017)**	**12,992**

	Share capital US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2021	94,137	(80,125)	14,012
Loss for the period	-	(540)	(540)
Total comprehensive loss for the period	-	(540)	(540)
Issue of shares	210	-	210
Equity settled share-based payment	-	253	253
At 30 June 2021 (Unaudited)	94,347	(80,412)	13,935

	Share capital US$'000	Retained earnings US$'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

Consolidated statement of cash flows
for the six months ended 30 June 2022

	6 months to 30 June 2022 Unaudited US$'000	6 months to 30 June 2021 Unaudited US$'000	Year ended 31 December 2021 Audited US$'000
Cash flow from operating activities			
Loss before taxation	**(743)**	(540)	(1,709)
Adjustments for:			
Finance (income)/expense	**234**	(355)	(212)
Share based payments charge	**3**	253	529
Amortization	**87**	88	176
Depreciation	**34**	32	67
Gain on disposal of discontinued operations	**-**	-	(111)
Unrealised foreign exchange movements	**(2)**	-	(10)
Net cash flow from operating activities before changes in working capital	**(387)**	(522)	(1,270)
Decrease in payables	**(65)**	(196)	(187)
Decrease in receivables	**-**	25	38
Net cash flow used in operating activities before tax	**(452)**	(693)	(1,419)
Income taxes paid	**-**	-	-
Net cash flow used in operating activities after tax	**(452)**	(693)	(1,419)
Investing activities			
Power and Mine development costs capitalized	**(12)**	(76)	(169)
Loan provided to C&I Project	**-**	(197)	-
Net cash flow used in investing activities	**(12)**	(273)	(169)
Financing activities			
Issue of ordinary shares	**-**	210	1,040
Cost of share issued	**-**	-	(55)
Proceeds from sale of discontinued operation	**-**	-	1,300
Repayment of bridge	**-**	-	(650)
Loan draw down	**-**	277	-
Net cash flow from financing activities	**-**	487	1,635
Net (decrease)/increase in cash and cash equivalents in the period	**(464)**	(479)	47
Cash and cash equivalents at the beginning of the period	**900**	853	853
Cash and cash equivalents at the end of the period	**436**	374	900

Notes to the consolidated financial information

1. Basis of preparation

The consolidated interim financial statements have been prepared using policies based on International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively “IFRS”) issued by the International Accounting Standards Board (“IASB”) as adopted by the UK. The consolidated interim financial statements have been prepared using the accounting policies which will be applied in the Group’s financial statements for the year ended 31 December 2022.

The consolidated interim financial statements for the period 1 January 2022 to 30 June 2022 are unaudited and incorporate unaudited comparative figures for the interim period 1 January 2021 to 30 June 2021 and extracts from the audited financial statements for the year to 31 December 2021. It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2021 Annual Report. The comparative financial information for the year ended 31 December 2021 in this interim report does not constitute statutory accounts for that year. The auditors' report on those accounts was unqualified and included an emphasis of matter drawing attention to the importance of disclosures made in the annual report regarding going concern.

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

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

Going concern

As at 30 June 2022 the Group had cash reserves of approximately US$0.4 million which, subject to the Shareholder Loan being extended and restructured, project costs related to the Ncondezi Project and planned expenditure related to the Solar Study, means that the Group is adequately capitalised to the end of October 2022. Additional working capital will need to be secured during October 2022 and Directors continue to explore 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.

At the end of 2020, the Company submitted an updated Ncondezi 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 Ncondezi 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 of US$5.4 million as at 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. Certain Directors have entered into a binding Undertaking preventing the Shareholder Loan being called before the later of 30 November 2023.

The Working Capital Facility of US$0.3 million as at 30 June 2022 (including principal and interest) matured on 24 February 2022. Agreement to restructure the Working Capital Facility into a Convertible Loan was completed and announced on 16 September 2022 extending the maturity to 30 November 2023.

In conjunction with the Restructuring of the Loan certain Directors agreed to increase the Convertible Loan by an additional £100,000.

In addition, notwithstanding the Shareholder Loan, further funding will be required as detailed above to meet operating cash flows under current forecasts beyond October 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. Such adjustments would principally be the write down of the Group's non-current assets.

2. Loss per share

Basic loss per share is calculated by dividing the loss attributable to the Ordinary Shareholders by the weighted average number of Ordinary Shares outstanding during the period. 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).

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

	Unaudited 30 June 2022			Unaudited 30 June 2020			Audited 31 December 2021		
	Loss US$'000	**Weighted average number of shares (thousands)**	**Per share amount (cents)**	Loss US$'000	Weighted average number of shares (thousands)	Per share amount (cents)	Loss US$'000	Weighted average number of shares (thousands)	Per share amount (cents)
Basic EPS	**(743)**	**410,714**	**(0.2)**	(540)	368,707	(0.1)	(1,847)	382,029	(0.5)
Diluted EPS	**(743)**	**491,057**	**(0.2)**	(540)	427,050	(0.1)	(1,847)	447,142	(0.4)

3. Property, plant and equipment

	Power assets US$'000	Mining assets US$'000	Buildings US$'000	Plant and Equip. US$'000	Other US$'000	Total US$'000
Cost						
At 1 January 2022	**9,731**	**7,771**	**1,277**	**35**	**718**	**19,532**
Additions	**12**	**-**	**-**	**-**	**-**	**12**
At 30 June 2022	**9,743**	**7,771**	**1,277**	**35**	**718**	**19,544**
Cost						
At 1 January 2021	9,596	7,737	1,277	35	718	19,363
Additions	76	-	-	-	-	76
At 30 June 2021	9,672	7,737	1,277	35	718	19,439
Cost						
At 1 January 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 2022	**-**	**-**	**337**	**27**	**718**	**1,082**
Depreciation charge	**-**	**-**	**34**	**-**	**-**	**34**
At 30 June 2022	**-**	**-**	**371**	**27**	**718**	**1,116**
At 1 January 2021	-	-	271	26	718	1,015
Depreciation charge	-	-	32	-	-	32
At 30 June 2021	-	-	303	26	718	1,047
At 1 January 2021	-	-	271	26	718	1,015
Depreciation charge	-	-	66	1	-	67
At 31 December 2021	-	-	337	27	718	1,082
Net Book value 30 June 2022	**9,743**	**7,771**	**906**	**8**	**-**	**18,428**
Net Book value 30 June 2021	9,672	7,737	974	9	-	18,392
Net Book value 31 December 2021	9,731	7,771	940	8	-	18,450

Power assets relate to the development of a 300MW power plant. In 2022, the Power assets remain classified as property, plant and equipment.

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

4. Intangible assets

	ROFR to C&I projects pipeline US$'000	Total US$'000
Cost (less impairment)		
At 1 January 2022	**522**	**522**
Additions	**-**	**-**
At 30 June 2022	**522**	**522**
Cost (less impairment)		
At 1 January 2021	522	522
Additions	-	-
At 30 June 2021	522	522
Cost (less impairment)		
At 1 January 2021	522	522
Additions	-	-
At 31 December 2021	522	522
Amortisation		
At 1 January 2022	**340**	**340**
Amortisation charge	**87**	**87**
At 30 June 2022	**427**	**427**
Amortisation		
At 1 January 2021	164	164
Amortisation charge	88	88
At 30 June 2021	252	252
Amortisation		
At 1 January 2021	164	164
Amortisation charge	176	176
At 31 December 2021	340	340
Net Book value at 30 June 2022	**95**	**95**
Net Book value at 30 June 2021	270	270
Net Book value at 31 December 2021	182	182

5. Loans and borrowings

	30 June 2022 Unaudited US$'000	30 June 2021 Unaudited US$'000	31 December 2021 Audited US$'000
Shareholder Loans (unsecured)	**5,423**	4,968	5,197
Working capital facility (unsecured)	**308**	286	296
Bridge Loan (unsecured)	**-**	294	-
Total Short term loan	**5,731**	5,548	5,493

Shareholders 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$5,423,000 as at period end (2021: US$5,197,000), with interest of 12% continuing to be accrued on the outstanding balance.

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.

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. On 16 September 2022, the Company announced that Chairman, Michael Haworth, and Company Chief Executive Officer, Hanno Pengilly, have entered into the Undertaking, representing 35.2% of the outstanding principal amount of the Shareholder Loan. The Undertaking prevents the Shareholder Loan from being called as a majority agreement representing 66.67% of Loan holders is required. The parties to the Undertaking have also indicated that during the Undertaking Period they will not transfer their loan or convert it into shares without the consent of the other signatories to the Undertaking or at all if it would cause them to hold less than 34% of the then outstanding principal.

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.

At the end of the period the Shareholders Loan was valued at US$5.4 million (H1 2021: US$5.0 million) including 12% annual interest rate applied since the expiring date 26 November 2019.

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.

Finance cost recognised for the period in relation to the working capital facility was US$12,000 (H1 2021: US$12,000).

Bridge Loan:

Finance cost recognised for the period in relation to the Directors' Bridge Loan was nil (H1 2021: US$17,000) as in December 2021 US$650,000 drawdown plus 30% coupon was fully repaid to lenders.

6. Share capital

Number of shares **Allotted, called up and fully paid**	**6 months to 30 June 2022 Unaudited**	6 months to 30 June 2021 Unaudited	Year ended 31 December 2021 Audited
Ordinary shares of no par value	**410,714,119**	370,714,119	410,714,119

Unaudited	**Shares issued Number**	**Share Capital US$'000**
At 1 January 2022	**410,714,119**	**95,009**
At 30 June 2022	**410,714,119**	**95,009**

Unaudited	Shares issued Number	Share Capital US$'000
At 1 January 2021	366,361,716	94,137
Issue of shares	4,352,403	210
At 30 June 2021	370,714,119	94,347

Audited	Shares issued Number	Share Capital US$'000
At 1 January 2021	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

7. Derivative financial liability

Warrants

Share Price (£)	*0.03*	*0.03*	*0.06*
Number issued	20,000,000	2,166,666	21,666,666
Expected volatility	76%	75%	75%
Options life (years)	1.5	2	2
Expiring date	10.03.23	29.05.2022	29.05.2022
Expected dividends	0	0	0
Risk free rate	0.47%	0.74%	0.74%

				2022 US$'000
FV at 01.01.2022	14,669	72	6	**14,747**
Revaluation	(2,904)	-	-	**(2,904)**
Expired in the period	-	(72)	(6)	**(78)**
FV at 30.06.2022	**11,765**	**-**	**-**	**11,765**

Share Price (£)		*0.03*	*0.06*	*0.045*	*0.075*	
Number issued		2,166,666	21,666,666	833,333	8,333,334	
Expected volatility		75%	75%	75%	75%	
Options life (years)		2	2	1	1	
Expiring date		29.05.2022	29.05.2022	08.12.2021	08.12.2021	
Expected dividends		0	0	0	0	
Risk free rate		0.74%	0.74%	0.25%	0.25%	
						2021 US$'000
FV at 01.01.2021		89,486	528,337	22,763	118,834	759,420
Revaluation		(67,495)	(465,725)	(20,888)	(56,101)	(610,209)
FV at 30.06.2021		21,991	62,612	1,875	62,733	149,211

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 01.01.2021	-	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 30.12. 2021	14,669	72	6	-	-	14,747

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 2,166,666 warrants at a subscription price of 3.0p and 21,666,666 warrants at a subscription price of 6.0p issued in May 2020 expired. The remaining total fair value of US$78 was derecognised through the profit and loss.

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

8. Net finance income/(expense)

	30 June 2022 Unaudited US$'000	30 June 2021 Unaudited US$'000	31 December 2021 Audited US$'000
Interest on loans (unsecured)	**(233)**	(255)	(150)
Change on warrants fair value	**(1)**	610	362
Net finance income/(expense)	**(234)**	355	212

9. Share based payments

During the period there have not been any new issues of share options. The total number of options outstanding for the period is 12,294,058 (2021: 12,294,058) no options had vested during the period.

The fair value of the equity instrument was measured using the Black-Scholes model. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. A share base payment charge of US$2,500 (H1 2021: US$253,000) was recognised in period in relation to these options.

10. 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.

Shareholders Loan
In relation to the Shareholder Loan as at 30 June 2022 US$1.7 million (H1 2021: US$1.5 million) is due to a Trust of which Non-Executive Chairman, Michael Haworth is a potential beneficiary and US$0.16 million (H1 2021: US$0.15 million) to Executive Director Hanno Pengilly.

Hanno Pengilly – Executive Director of Ncondezi Energy Limited - Director of Herne Capital (Pty) Ltd ("HCL")
During the period US$88,000 (H1 2021: US$120,000) was paid by the Company to HCL in respect of services provided by Hanno Pengilly. There was no outstanding deferred fees balance at the end of the period (H1 2021: US$ nil).

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$58,000 in interest. On 1 August 2022 the lender has agreed not to call the Loan whilst the restructuring agreements are finalised.

Aman Sachdeva – Non-Executive Director of Ncondezi Energy Limited - CEO of Synergy Consulting Inc.
During the period US$nil (H1 2021: US$76,000) was paid by the Company to Synergy Consulting Inc. in

respect of services provided by Synergy. At end of the period the outstanding balance was US$7,000 (H1 2021: US$nil).

Synergy is a global independent consultancy specialising in infrastructure advisory and project finance, and has experience in achieving financial closure for deals worth approx. US$25 billion and M&A advisory for deals worth US$5.0 billion.

11. Events after the reporting period

Grid Scale Solar Project

- Ncondezi Green Power ("NGP") launches FS for up to 300MW solar PV power plant plus BESS ("Study") with target completion end October 2022

- Positive initial results from the Solar Project Study, confirm the project's excellent location for solar generation with no red flags identified

- Estimated pre-money NPV of between US$60.0 million and US$65.0 million and fully diluted cash flows of between US$130.0 million and US$180.0 million over a 25 year period

Working Capital

- On 16 September 2022 the restructuring of the Working Capital Facility to a convertible loan note ("Convertible Loan") ("Restructuring") was finalised, subject to shareholder approval of the rights to issue shares under the Convertible Loan. The Restructuring terms set out below:
  - £373,447k Convertible Loan note, made up of:
    - Restructured £273,447k Seritza working capital facility
    - Additional £100k provided by Company Chairman Michael Haworth and NED Scott Fletcher (split £20k and £80k respectively)
  - Interest rate of 12%
  - Maturity on 30 November 2023
  - Right for each of the lenders to convert the principal amount into Ncondezi Ordinary Shares ("Shares") at the higher of:
    - the amount calculated by applying a 25% discount to the Volume Weighted Average Price ("VWAP") on the thirty days immediately preceding the date of the conversion notice;
    - the amount calculated by applying a 25% discount to the placing price if a placing of Shares has been concluded within 30 days prior to the date of the conversion notice; and
    - £0.005 per ordinary share
  - Right to convert any new interest portion of the Convertible Loan into Shares at the higher of:
    - the amount calculated by applying a 30% premium to the VWAP on the thirty days immediately preceding the date of the conversion notice;
    - the amount calculated by applying a 30% premium to the placing price if a placing of Shares has been concluded within 30 days prior to the date of the conversion notice; and
    - £0.005 per ordinary share.

- The Company can prepay all of the loan at any time at its discretion, without penalty on 20 business days' notice.

- On receipt of a notice to convert, Ncondezi will have 15 business days to exercise a right to exclude up to 50% of the amount to be converted on condition that it is immediately redeemed in cash

- On receipt of a notice of early redemption of the Convertible Loan by Ncondezi, the lenders will have 15 business days to execute its right to convert up to 50% of the redeemable amount into equity on terms outlined above

- Converted Shares will be subject to orderly market provisions for 12 months after the conversion date

- Conversions of any outstanding amounts are subject to the Company receiving the necessary approvals to issue shares upon conversion free of pre-emption rights at a General Meeting to be convened shortly

- Convertible Loan increased by an additional £100,000 made available by certain Directors of the Company, to accelerate development of the Solar Project ("First Tranche")

- An additional tranche of £150,000 may be made available to the Company at the Convertible Loan lender's discretion in the six months following the restructuring ("Second Tranche")

- Restructuring is subject to approval to issue shares and to disapply pre-emption rights at a General Meeting. and the fair and reasonable opinion assessment being completed by the Company's Independent Directors in line with the requirements of the AIM Rules in respect of related party transactions

Shareholder Loan

- Certain Directors have entered into a binding Undertaking (the "Undertaking") preventing the Shareholder Loan being called before the later of 30 November 2023 ("Undertaking Period")

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, 1st 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 Securities Ltd 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 (Jersey) LLP 44 Esplanade St Helier Jersey JE4 9WG
Legal advisor to the Company as to English law	Bryan Cave Leighton Paisner LLP Governors House 5 Laurence Pountney Hill London EC4R 0BR