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NEWS RELEASE

Audited Final Results for Year Ended 31 December 2012

28 June 2013: Ncondezi Coal Company Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to announce its audited final results for the year ended 31 December 2012.

Project achievements 2012

- Decision to proceed with development of 300MW Power Project
- Positive results of Power DFS published, independently reviewed by STEAG
- System Optimisation Study completed
- Power Evacuation Study completed, route identified and aerial surveillance completed
- Power regulatory process initiated
- JORC resource increased to 4.7 billion tonnes
- Mine DFS Completed
- Mine Framework Agreement signed with Ministry of Mineral Resources
- Mining Concession Application lodged with Ministry of Mineral Resources
- Infrastructure Agreement with Rio Tinto and Minas de Revuboè for Ncondezi's future export grade coal production

Highlights H1 2013

- Ncondezi transitioning into a Power Development Company
- Power Framework Agreement signed with Ministry of Energy
- Formal endorsement of the project by the Mozambican Government
- EPC pre-selection process commenced
- Power Purchase Agreement negotiations commenced

Corporate highlights

- Board and senior management restructured to strengthen team with power expertise
- Appointment of Paul Venter as Executive Director and Chief Executive Officer
- Appointment of Christiaan Schutte and Peter O'Connor as Non-Executive Directors
- Funded for current project activities until end of Q1 2014
- Cash balance US$12m, as at 31 December 2012

Financial highlights

	2012	2011
	US$000s	US$000s
Loss after tax	(8,605)	(7,066)
Loss per share expressed in cents	(7.1)	(5.9)
Cash and cash equivalents	12,008	30,444
Net assets	53,786	61,079

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Paul Venter, Chief Executive Officer of Ncondezi commented:
"Good progress was made during 2012 with Ncondezi completing all the major technical study work on the Ncondezi Project, including two DFSs on power and mine projects. Based on the outcomes of the feasibility studies, Ncondezi has decided to proceed with the development of an integrated, long life, thermal coal power plant and open pit mine in phases of 300MW units up to 1,800MW.

Ncondezi is now focused on building an exciting power business in Mozambique with strong growth potential. Development of the first 300MW phase is under way and is targeting domestic consumption in Mozambique using existing transmission capacity to meet current demand. The power plant is expected to be operational and generate electricity during 2017.

The recent signing of the Power Framework Agreement with the Mozambican government formally endorsed the project and the Company is busy advancing the Heads of Terms on the key commercial agreements, targeting completion by Q4 2013."

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Ncondezi Coal Company owns 100% of the Ncondezi Project which is strategically located in the power generating hub of the country, the Tete Province in northern Mozambique. The Company is developing an integrated thermal coal mine and power plant in phases of 300MW phases, up to 1,800MW and first production is planned for 2017. The first 300MW phase is targeting domestic consumption in Mozambique using existing transmission capacity to meet current demand.

Chairman's statement

Dear Shareholder,

2012 was a pivotal year for the Company, as it transitioned from a coal explorer to an emerging power developer. Following the completion of the technical studies, which confirmed the viability of the Company's project in Mozambique, the Board took the decision to proceed with the phased development of an integrated thermal coal power plant and mine (the "Ncondezi Project").

Opportunities for independent power producers ("IPPs") in southern Africa have opened up as the region struggles to meet the demand for power. The liberalisation of the South African power market, the continent's largest, as well as the recent increases in power tariffs have combined to make IPP projects financially attractive in the southern African region.

Mozambique is uniquely positioned with an established and successful history of generating and exporting power. The country is strategically located bordering South Africa, Zimbabwe, Zambia, Malawi and Tanzania, all of which require additional power. It is the largest exporter of power to South Africa, a key member of the South African Power Pool ("SAPP") and is currently the fastest growing electricity market in southern Africa.

The Mozambican Government is keen to capitalise on this position and further expand on its role as an important regional energy player. Key Government priorities are to increase electrification of the country, currently at just 20%, and to develop regional electricity generation and transmission infrastructure. The country has already secured the backing of the World Bank and European Investment Bank to develop local power projects. The Ncondezi Project is closely aligned with the Government's vision.

During the second half of 2012, Ncondezi successfully completed Definitive Feasibility Studies ("DFS") on both its mine and power projects, which confirmed the technical viability and economic robustness of the proposed projects. However, since initiating the Mine DFS in Q3 2010, the macro-economic environment has changed considerably. Seaborne thermal coal prices have weakened significantly and there are capital constraints for large, greenfield mine development projects. The developing coal basin around Tete has not been immune to these changes and the large, capital intensive export rail and port infrastructure projects, primarily for coking coal projects, are developing much more slowly than originally envisaged.

Ncondezi believes the power opportunity for the Company is much more attractive. Adopting a phased development approach will deliver a more achievable, prudent and financeable path to production than the immediate development of a larger scale, higher capital intensive project as defined in the Mine DFS, which is reliant on third party rail and port infrastructure development for project operations to begin. Therefore production of an export thermal coal product with associated capital expenditure is an option that will be initiated only when rail and port infrastructure in Mozambique has sufficiently advanced.

Ncondezi is focused on developing a base load power plant and open pit mine in phases of 300 megawatts ("MW"), up to 1,800MW. Development of the first 300MW phase ("300MW Project") is under way and is targeting domestic consumption in Mozambique using existing transmission capacity to meet current demand. The power plant is expected to be commissioned and generate electricity during 2017. The subsequent roll out of additional 300MW units will be phased to meet the projected growth in both transmission capacity and power demand within Mozambique and the SAPP.

The 300MW Project is expected to be cost competitive with other sources of energy in the southern African region. It has unique advantages over other potential power projects in the region as it is scalable, has security of fuel supply and can be implemented within a 24–36 month timeframe, utilising existing infrastructure and transmission capacity to supply power to both domestic and export markets.

Power plant projects are stable businesses as they enter into long-term power offtake agreements, usually for 20–25 years which generate predictable cash flows. Financing power projects is more straightforward, compared to greenfield mine development projects, as they can support higher levels of debt financing, typically in the region of 70%–85%.

Ncondezi has started to explore a number of potential funding options for the development of the 300MW Project. The majority of the Project is expected to be funded by debt, with an equity contribution of between 15%–30% of the Project cost. The equity contribution will only be required at the very end of the development stage, when the project has been largely de-risked with all the key commercial agreements signed and potentially monetised with the debt financing in place.

Ncondezi's immediate focus for the coming year is to negotiate the key commercial agreements for the 300MW Project, namely the Power Purchase, the Power Concession, the Coal Supply and the Transmission Access agreements, and to optimise the capital expenditure for the integrated 300MW power plant and mine.

Despite the Company's share price under performance over the past year, in line with many junior mining companies, achievement of these key project milestones will present share price catalysts as the 300MW Project is systematically de-risked. Equity contributions will be supported by engineering, procurement and construction ("EPC") firms and operator and maintenance contractors' equity contributions, further reducing the total equity requirement. As part of the potential funding options, the Company has already initiated discussions with a number of potential equity partners, ranging from private equity groups, African focused funds, IPPs, project development investors and power developers who have all indicated an appetite for the 300MW Project.

2013 has started on a highly encouraging note with the signing of the Power Framework Agreement. This is formal endorsement for the Project by the Mozambican Government and gives Ncondezi the exclusive mandate to negotiate a power offtake (also known as the Power Purchase Agreement) with the state owned utility company, Electricidade de Mozambique ("EdM") as well as regional power offtakers. The application for a Mining Concession has also been submitted and the Company expects to receive it during Q3 2013.

As part of this transformation from mining to power, we have implemented Board and management changes and are proposing a Company name change to Ncondezi Energy Limited, which more accurately represents the nature of the business. A resolution to propose the Company name change will be tabled at this year's Annual General Meeting.

This year the Board and management team have been strengthened with power expertise. Following the successful completion of all the mining-related geological, technical and feasibility study work, Nigel Walls decided it was time to move on from his position as Chief Executive Officer and hand the reins over to Paul Venter. Paul was appointed Chief Operating Officer in June last year and has been responsible for the Company's power strategy and delivering the project's power-related milestones to date. He has a wealth of coal-fired power generation experience with over 30 years in the industry and has worked for power generation companies and independent power producers in South Africa, Russia, China and Mongolia.

The Company also recently appointed two Non–Executive Directors, Peter O'Connor and Christiaan Schutte. They bring with them a significant amount of power expertise in both generation and transmission in southern Africa that will be invaluable as the 300MW power project progresses through the development stage and project funding phases.

I would like to take this opportunity to thank Nigel Walls and Colin Harris, who recently resigned as a Non–Executive Director, for their valuable contribution guiding the project over the past few years through the exploration and feasibility study stages to its current development phase. I would also like to thank my fellow Board members, the Ncondezi staff and project consultants for their hard work over the past year, which has been a particularly intensive period with two concurrent feasibility studies to complete.

Looking ahead, I believe Ncondezi is well placed to achieve its objectives for the year. The Company has an experienced team in place that has the necessary power expertise and strong relations with the Mozambican government. Turning Mozambique's coal resources into electricity provides Shareholders with a more attractive business proposition in the current climate. The 300MW Project will also deliver significant benefits to local communities, as well as the country as a whole through job creation, supporting economic development and providing Mozambique with long-term sustainable power.

Michael Haworth
Non–Executive Chairman

Operations review

2012 in Review

During the course of the year, Ncondezi completed all the major technical study work on the Ncondezi Project, including two DFSs on power and mine projects and announced an upgraded resource statement, in accordance with JORC.

Based on the outcomes of the feasibility studies, Ncondezi has decided to proceed with the development of an integrated, long life, thermal coal power plant and open pit mine in phases of 300MW units, up to 1,800MW. Development of the first 300MW phase is under way and is targeting domestic consumption in Mozambique using existing transmission capacity to meet current demand. The power plant is expected to be operational and generate electricity during 2017.

The subsequent roll-out of additional 300MW units will be phased to meet the projected growth in both transmission capacity and power demand within Mozambique, as well as the SAPP. The power plant is expected to be cost competitive with other sources of energy in the southern African region.

Production of an export thermal coal product and associated capital expenditure will be initiated only when rail and port infrastructure in Mozambique is sufficiently advanced.

The 300MW Project

In September 2012 Ncondezi published the results of a Power DFS by Parsons Brinckerhoff, a leading provider of engineering and project management services to the global power and energy market, which confirmed the economic and technical viability of an 1,800MW thermal coal fired power plant, to be built in phases of 300MW. The Power DFS was independently verified by STEAG, one of Germany's largest electricity producers.

Power plant location

The proposed site for the power plant is approximately 5km from the planned open pit coal mine and approximately 90km from existing power transmission infrastructure. The location will reduce the costs of coal transportation and is at a safe distance from the mining areas to minimise any impact of mine blasting operations.

Captive fuel supply

The power plant will have a captive fuel supply. The mine will comprise a 2 million tonnes per annum ("Mtpa") run-of-mine ("ROM") open pit mining operation with an average strip ratio of 1.0 (tonne to tonne) producing 1.2Mtpa of 17MJ/kg (NAR) domestic grade thermal coal product at an average yield of +55% for supply to a 300MW mine mouth power plant over a 25 year life. The Ncondezi Project has a coal resource of over 4.7bt (reported in accordance with JORC) which is more than sufficient to supply up to an 1,800MW power plant over 25 years.

Technology and technical information

The power plant will be a base load electricity provider, using Circulating Fluidised Bed ("CFB") technology, and is expected to operate at an 82% load factor. CFB is proven technology and has been selected as it is better suited to the quality and composition of the domestic grade coal (compared to Pulverised Fuel technology), it has proven unit capacity, with a number of units successfully operating worldwide, and it has low NOx and SOx emissions. The low emissions will ensure compliance with the Government of Mozambique's requirements for air quality, as well as meet the World Bank and IFC's standards for emissions from coal fired power plants.

The size of each generating unit is currently envisaged to be 300MW as it offers the best efficiency capability of CFB technology, the best capital expenditure per kilowatt ("US$/kW") option and the ability of the existing power grid to absorb and evacuate power.

Each 300MW power block will comprise a steam generator, a steam turbine and generator, a wet type of cooling condenser system and electrostatic precipitators. The cooling system is proposed to include wet mechanical draft cooling towers, which will enable the units to operate at higher thermal efficiency.

A hydrological study has been completed, confirming there is sufficient cooling water available and a water optimisation study is now under way.

Power transmission and evacuation
The power plant site will be located approximately 90km from EdM's northern grid high voltage network. System optimisation and power evacuation studies were completed during 2012 and confirmed that there is both current transmission capacity and demand for the first 300MW phase, as well as forecast demand and transmission growth projects for the entire 1,800MW.

The first phase is focused on meeting current domestic demand in the Northern grid. Of the first 300MW, 250–270MW is expected to be supplied to EdM via the construction of a new 400kV transmission line linking the power plant to the Northern grid, at an estimated cost of US$50m. The balance of the electricity is expected to be consumed by the power plant and mine.

A power evacuation feasibility study and accompanying Environmental Social Impact Assessment have commenced and the power evacuation aerial surveillance route has already been flown. These studies are due for publication during the second half of 2013.

Permitting
The permitting process for the 300MW Project has already commenced. A Mine Framework Agreement was signed during Q2 2012 with the Ministry of Mineral Resources. This was followed by an application for a Mining Concession, upon completion of the Mine DFS, in December 2012. The Mining Concession is a key prerequisite to commencing construction and mining operations and it is expected to be issued during Q3 2013.

Work on the power regulatory process was initiated during H2 2012, with the Company engaging with a number of government officials across key government departments, including the Ministry of Energy and EdM. Quick progress has been made and the Power Framework Agreement ("PFA") was signed in April 2013.

The PFA is formal endorsement by the Mozambican Government of Ncondezi's Power Project and is a key milestone. The Agreement provides an exclusive platform from which to negotiate the key commercial, financial, legal and local participation parameters of the Project.

Power offtake and key commercial agreement
Work streams to progress the power plant project towards a fully financeable project have commenced. Ncondezi is targeting EdM as the main offtaker for the first 300MW. EdM is an ideal customer as it can readily absorb power today, it has existing transmission capacity and there is current demand, with strong growth potential.

Negotiations have commenced with EdM, beginning with Heads of Terms for a Power Purchase Agreement ("PPA") and are expected to be concluded by Q4 2013. Ncondezi expects to sign the final PPA in H2 2014 and is targeting a competitive electricity tariff.

Heads of Terms on the Coal Supply Agreement are well advanced and are also expected to be completed by Q4 2013. The Agreement will be conducted at arm's length and on commercial terms with a minimum duration of 25 years.

Capital expenditure
Capital expenditure estimates and operating costs for the integrated 300MW Project are being optimised, as the Mine DFS capital expenditure projections were based on a larger mining operation producing both domestic and export grade products.

Current estimates indicated that the 300MW power plant requires US$504m of capital expenditure over a 24–36 month construction period and meets the +20% IRR hurdle requirements for infrastructure projects.

Excluding an export coal component in the first phase of the mine's development has presented a number of cost saving opportunities through smaller mining and equipment requirements and higher average product yields. Ncondezi has been exploring a number of options to minimise capital outlay and operating costs further during H1 2013, including assessing contractor versus owner-operated mining and evaluating the detailed quotes from EPC firms based on the power plant Minimum Functional Specifications, which have been distributed for quotation.

Construction and timeline

The 300MW power plant is targeting commercial operation in 2017. Based on industry experience, the Company has forecast a construction period of between 24 to 36 months, depending on the selected EPC firm. The mine construction is expected to take 24 months, with first production targeted in 2016, in order to stockpile coal supply for the power plant.

Power Plant Minimum Functional Specifications have been distributed to selected EPC firms for tender and to obtain more accurate capital expenditure quotes. Indicative proposals are expected during Q2 2013, after which a short list of preferred EPC bidders will be invited to submit binding, detailed bids during H2 2013. The binding bids will play a key role in completing the PPA and project funding.

Project funding

Ncondezi plans to develop the Project in partnership with a power plant developer and operator. As a base load electricity provider, the power plant is expected to generate a consistent and stable revenue stream and the Company has received strong indications of the potential availability of project finance, ranging from 70% to 85% debt financing.

It is envisaged that potential participation could include corporate and/or project equity, offtake and/or financing and construction capabilities.

Ncondezi is exploring a range of options and opportunities regarding strategic investors participating in the 300MW Project. These potential strategic investors range from strategic partners (IPPs, EPCs, O&Ms) infrastructure and emerging market funds and local Mozambican companies.

Ncondezi Export Coal Project

Since initiating the Mine DFS in Q3 2010, which envisaged a large scale, long life mining operation producing export grade coal products, the macro-economic environment has changed considerably and seaborne thermal coal prices have weakened significantly. The developing coal projects around Tete have not been immune to these changes and the large, capital intensive export rail and port infrastructure projects, primarily for coking coal projects, have developed more slowly than originally envisaged.

Whilst the Mine DFS confirmed the capability of a large scale, long life, open pit mining operation producing both domestic and export grade coal products, Ncondezi has decided to proceed with the development of its power project.

Production of an export thermal coal product and associated capital expenditure will be initiated only when rail and port infrastructure in Mozambique has sufficiently advanced. This approach has the dual benefit of a reduction in the start-up capital outlay for the mine and reduces Ncondezi's reliance on third party rail and port infrastructure development for project operations to begin.

Transport infrastructure agreement

In early 2012, Ncondezi signed an agreement with Rio Tinto Coal Mozambique, a wholly owned subsidiary of Rio Tinto plc ("Rio Tinto"), and Minas de Revuboè. The Agreement entitles Ncondezi to an export allocation on the Integrated Transport Development Project ("ITD Project"), which is a greenfield rail and port project, for its planned export coal production.

The ITD Project is under Feasibility Study, which is being led by Rio Tinto. The ITD Project represents a scalable solution with the potential to provide coal export capacity of between 25Mtpa and 100Mtpa, as well as provide broader economic and social benefits to the people and agricultural industries of Zambezia Province. The ITD Project has the potential to be a low cost rail transport option for exporting coal from the

Tete Province, as it is expected to be the shortest rail distance to port and would utilise new and modern infrastructure to maximise economies of scale.

Under the terms of the Agreement, Ncondezi is not required to contribute capital to the ITD Project feasibility study or development capital costs, however Ncondezi will have the option to negotiate take-or-pay agreements with the ITD Project operator once a decision has been made to implement and develop the ITD Project.

Summary of Mine DFS
The Mine DFS was independently prepared by TWP Holdings (Pty) Ltd and confirmed the large scale, long life operational capability of an integrated mine and power operation. The Mine DFS envisaged an open pit, truck and shovel mining operation supplying domestic grade coal to an 1,800MW mine mouth power station and producing export grade thermal coal over a 25 year life of mine from only two of the six resource blocks on the Ncondezi Project license area.

The Mine DFS scope was designed to demonstrate the mine could support up to an 1,800MW power plant, ramped up in phases, with a 25 MJ/kg (NAR) export thermal coal product produced as a secondary product. However, as there are currently rail and infrastructure limitations for the export grade product, Ncondezi is focusing on developing a much smaller mining operation to produce only domestic grade coal to supply the power plant in the short to medium term.

Drilling programme and resource upgrade
During the first half of 2012 an infill drilling resource definition programme was conducted on the license areas to improve resource classification, resulting in 4,063m of additional drilling and bringing the total number of metres drilled to over 75,492m. A total of 36 HQ3 cored boreholes were drilled during the campaign. Previous geological modelling and resource estimation identified six discrete resource blocks within the Ncondezi Project area that contained coal at depths amenable to opencast mining. These blocks are the North, South, Central, East, West and River Blocks.

During the Mine DFS, optimisation studies were conducted on the North, South, East and Central Blocks and based on these findings detailed mine design were conducted for the North and South Blocks. These two blocks contain some 1,206 MTIS (mineable tonnes in situ) of which 62% is classified as Indicated Resources and the remaining 38% as Inferred. The Company's geological consultants, The Mineral Corporation (Pty) Ltd, produced JORC compliant resource estimations for all the resource blocks and these calculations were updated in Q4 2012 with the newly acquired data obtained by the 2012 drilling programme.

Social and environmental
ERM and Impacto have been appointed to conduct the Mine Environmental and Social Impact Assessments ("ESIA"), alongside Parsons Brinckerhoff and Impacto for the power plant ESIA. Work progressed well during the year, with no fatal flaws discovered. Extensive community engagement has been conducted with positive responses. The ESIAs are due for completion during Q3 2013.

Independent audit report to the members of Ncondezi Coal Company Limited

We have audited the financial statements of Ncondezi Coal Company Limited for the year ended 31 December 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards ("IFRS") as adopted by the European Union.

This report is made solely to the Company's members, as a body in accordance with our engagement letter dated 16 January 2013. Our audit work has been undertaken so that we might state to the 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' responsibility for the financial statements

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (as issued by the International Federation of Accountants ("IFAC")). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of financial statements in order to design appropriate audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on financial statements

In our opinion:

- the financial statements present fairly, in all material respects the state of the Group's affairs as at 31 December 2012 and its loss for the year then ended; and
- have been prepared in accordance with IFRS as adopted by the European Union.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern which is dependent on the Group's ability to raise further funds through debt or new equity placing. The Directors believe that the Group will secure the necessary funds. While the Directors are continuing funding negotiations with certain third parties there are currently no binding agreements in place. These conditions together with the other matters referred to in note 1 indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matters

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

BDO LLP

Chartered Accountants

55 Baker Street

London W1U 7EU

United Kingdom

27 June 2013

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

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Consolidated income statement for the year ended 31 December 2012

	Note	**2012 US$'000**	2011 US$'000
Other administrative expenses	3	**(7,398)**	(6,554)
Research expenses	3	**97**	(1,334)
Impairment of exploration costs	3	**–**	(656)
Share-based payments charge	3	**(1,292)**	(2,597)
Total administrative expenses and loss from operations		**(8,593)**	(11,141)
Finance income		**88**	43
Gain on derivative financial asset	15	**–**	4,166
Finance expense		**(45)**	(50)
Loss for the period before taxation		**(8,550)**	(6,982)
Taxation	4	**(55)**	(84)
Loss for the period attributable to equity shareholders of the Parent Company		**(8,605)**	(7,066)
Loss per share expressed in cents			
Basic and diluted	5	**(7.1)**	(5.9)

Consolidated statement of comprehensive income for the year ended 31 December 2012

	2012 US$'000	2011 US$'000
Loss after taxation	**(8,605)**	(7,066)
Other comprehensive income:		
Exchange differences on translating foreign operations	**20**	19
Total comprehensive income for the period	**(8,585)**	(7,047)

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Consolidated statement of financial position as at 31 December 2012

	Note	**2012 US$'000**	2011 US$'000
Assets			
Non-current assets			
Intangible assets	6	**39,081**	28,563
Property, plant and equipment	7	**2,328**	2,592
Total non-current assets		**41,409**	31,155
Current assets			
Inventory		**26**	–
Trade and other receivables	9	**3,030**	2,979
Cash and cash equivalents	10	**12,008**	30,444
Total current assets		**15,064**	33,423
Total assets		**56,473**	64,578
Liabilities			
Current liabilities			
Current tax payable		**56**	81
Trade and other payables	11	**2,631**	3,418
Total current liabilities		**2,687**	3,499
Total liabilities		**2,687**	3,499
Capital and reserves attributable to shareholders			
Share capital	12	**76,108**	76,108
Foreign currency translation reserve		**44**	24
Retained earnings		**(22,366)**	(15,053)
Total capital and reserves		**53,786**	61,079
Total equity and liabilities		**56,473**	64,578

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2013 and were signed on its behalf by:

Paul Venter
Chief Executive Officer

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Consolidated statement of changes in equity for the year ended at 31 December 2012

	Share capital US$'000	Foreign currency translation reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2012	**76,108**	**24**	**(15,053)**	**61,079**
Loss for the period	**–**	**–**	**(8,605)**	**(8,605)**
Other comprehensive income for the period	**–**	**20**	**–**	**20**
Equity settled share-based payments	**–**	**–**	**1,292**	**1,292**
At 31 December 2012	**76,108**	**44**	**(22,366)**	**53,786**

	Share capital US$'000	Other reserves US$'000	Foreign currency translation reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2011	59,245	5,791	5	4,395	69,436
Loss for the period	–	–	–	(7,066)	(7,066)
Other comprehensive income for the period	–	–	19	–	19
Exercise of warrants	2,934	–	–	–	2,934
Issue of shares	36,206	–	–	–	36,206
Costs associated with issue of shares	(1,399)	–	–	–	(1,399)
Share buy-back and cancellation	(20,878)	–	–	–	(20,878)
Exercise of Dos Santos option	–	(20,770)	–	–	(20,770)
Reclassification of other reserves	–	14,979	–	(14,979)	–
Equity settled share-based payments	–	–	–	2,597	2,597
At 31 December 2011	76,108	–	24	(15,053)	61,079

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Consolidated statement of cash flows for the year ended at 31 December 2012

	Notes	**2012 US$'000**	2011 US$'000
Cash flow from operating activities			
Loss before taxation		**(8,550)**	(6,982)
Adjustments for:			
Finance income		**(88)**	(43)
Finance expense		**45**	50
Share-based payments charge	3	**1,292**	2,597
Derivative financial asset		**–**	(4,166)
Unrealised foreign exchange movements		**15**	5
Disposal of property plant and equipment		**7**	14
Depreciation and amortisation		**427**	328
Net cash flow from operating activities before changes in working capital		**(6,852)**	(8,197)
Increase in inventory		**(26)**	–
(Decrease)/increase in payables		**(1,636)**	670
Increase in receivables		**(51)**	(1,707)
Net cash flow from operating activities before tax		**(8,565)**	(9,234)
Income taxes paid		**(80)**	(76)
Net cash flow from operating activities after tax		**(8,645)**	(9,310)
Investing activities			
Payments for property, plant and equipment	7	**(118)**	(958)
Payments for other intangibles	6	**–**	(46)
Interest received		**88**	43
Exploration costs capitalised	6	**(9,716)**	(14,166)
Net cash flow from investing activities		**(9,746)**	(15,127)
Financing activities			
Issue of Ordinary Shares		**–**	39,140
Bank charges		**(45)**	(50)
Cost of share issue		**–**	(1,399)
Share buy-back		**–**	(20,878)
Net cash flow from financing activities		**(45)**	16,813
Net decrease in cash and cash equivalents in the period		**(18,436)**	(7,624)
Cash and cash equivalents at the beginning of the period		**30,444**	38,068
Effect of foreign exchange rate changes on cash and cash equivalents		**–**	–
Cash and cash equivalents at the end of the period		**12,008**	30,444

The notes on pages 34 to 51 form part of these financial statements.

Notes to the consolidated financial statements

1. Principal accounting policies

General

The Company is a limited liability company incorporated on 30 March 2006 in the British Virgin Islands. The address of its registered office is 2nd floor, Wickham's Cay II, PO Box 2221, Road Town, Tortola, British Virgin Islands.

Going concern

In the absence of production revenues, the Group is dependent upon its existing cash resources and its ability to raise additional financing through equity raisings in order to progress with the development of the power plant.

The Group has sufficient funding to finance its activities through to March 2014. The Directors are in negotiations with a number of parties in respect of raising further funds to continue with the power plant development programme. Whilst progress is being made on a number of potential transactions that would provide additional financing, at present there are no binding agreements in place.

Should the Group be unable to raise the necessary finance, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the current progress of negotiations with potential providers of finance and discussions with potential investors, the Directors believe that the necessary funds to provide adequate financing to continue the power plant development programme will be raised as required. Accordingly they are confident that the Group will continue as a going concern and have prepared the financial statements on that basis.

These conditions indicate the existence of a material uncertainty that may cast significant doubt over 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 not able to continue as a going concern.

As at 31 December 2012 the Group's cash and cash equivalent stood at US$12m. The Group intends to operate within its cash resources.

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 judgement 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.

Adoption of new and revised accounting standards

In 2012, several amended standards and interpretations became effective. These are IFRS 7 (amended) "Disclosures – transfers of financial assets", IFRS 1 (amended) "Severe hyperinflation and removal of fixed dates for first-time adopters" and IAS 12 (amended) "Deferred tax: recovery of underlying assets". The adoption of these standards and interpretations has not had a material impact on the financial statements of the Group.

At the date of authorisation of these financial statements, the following standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and some of which were pending endorsement by the EU):

- IFRS 1 (amended) "Government loans" – effective for accounting periods beginning on or after 1 January 2013.
- IFRS 7 (amended) "Disclosures: Offsetting financial assets and financial liabilities" – effective for accounting periods beginning on or after 1 January 2013.
- IFRS 9 "Financial instruments – Classification and measurement" – effective for accounting periods beginning on or after 1 January 2015.
- IFRS 10 "Consolidated financial statements" – effective for accounting periods beginning on or after 1 January 2013.
- IFRS 11 "Joint arrangements" – effective for accounting periods beginning on or after 1 January 2013.
- IFRS 12 "Disclosure of interests in other entities" – effective for accounting periods beginning on or after 1 January 2013.
- IFRS 13 "Fair value measurement" – effective for accounting periods beginning on or after 1 January 2013.
- IAS 1 (amended) "Presentation of financial statements – other comprehensive income" – effective for accounting periods beginning on or after 1 July 2012.
- IAS 19 (revised) "Employee benefits" – effective for accounting periods beginning on or after 1 January 2013.
- IAS 27 (revised) "Separate financial statements" – effective for accounting periods beginning on or after 1 January 2013.
- IAS 28 (revised) "Investments in associates and joint ventures" – effective for accounting periods beginning on or after 1 January 2013.
- IAS 32 (amended) "Offsetting financial assets and financial liabilities" – effective for accounting periods beginning on or after 1 January 2014.
- Annual improvements to IFRS 2009–2011 cycle (various standards) – effective for accounting periods beginning on or after 1 January 2013.

The Group is yet to assess the full impact of adoption of IFRS 9 and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU.

Adoption of the other standards in future periods is not expected to have a material impact on the financial statements of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. 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.

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.

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%
Computers and related equipment	33%
Furniture and fixtures	20%–25%
Motor vehicles	25%
Buildings	10%

The carrying value of property, plant and equipment is assessed annually and any impairment is charged to the income statement.

Assets in the course of construction are capitalised in the construction in progress account. Costs capitalised include the purchase price of the asset and any costs directly attributable to bringing it into working condition for its intended use. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. Construction in progress is not depreciated.

Exploration and evaluation assets

All costs associated with exploring and evaluating prospects within licence areas, including the initial acquisition of the licence are capitalised on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. When a decision is made to proceed to development, the related expenditures will be transferred to proven mining properties. 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.

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 income

statement 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.

Impairments are recognised in the income statement 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.

Operating leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease') amounts payable under the lease are charged to the income statement on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs incurred in respect of general borrowings are recognised in the income statement as they accrue, using the effective interest method. There are no borrowings directly attributable to the acquisition, construction or production of qualifying assets.

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, the Mozambican and Mauritian 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 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 income statement.

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 income statement 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 generally 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 income statement, 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.

Inventory

Inventories relate to fuel stocks and are valued at the lower of the average cost and net realisable value.

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 and as held to maturity or held for trading. 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:

Loans and receivables

Loans and receivables (including trade receivables) 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.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Group classifies its financial liabilities only as held at amortised cost.

Held at amortised cost

Financial liabilities including trade payables and borrowings 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.

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.

For the purposes of the disclosures given in note 12, the Company considers its capital to be total equity.

The Company is not subject to any externally imposed capital requirements.

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 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

(i) Impairment of exploration and evaluation assets

In accordance with the accounting policy stated above, the Group tests annually to see whether exploration and evaluation assets have suffered any impairment.

The recoverability of the amounts shown in the consolidated statement of financial position in relation to deferred exploration and evaluation expenditure are dependent upon the discovery of economically recoverable reserves, continuation of the Group's interest in the underlying mining claims, the political, economic and legislative stability of the regions in which the Group operates, compliance with the terms of the relevant mineral rights licences, the Group's ability to obtain the necessary financing to fulfil its obligations as they arise and upon future profitable production or proceeds from the disposal of properties.

(ii) Fair value of financial instruments and share-based payments

The Group determines the fair value of financial instruments that are not quoted and equity-settled share-based payments, using valuation techniques and models which are significantly affected by the assumptions used. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. The methods and assumptions applied, and valuations models used are disclosed in notes 14 and 17.

Accounting estimates

(i) Provisions for liabilities

As a result of exploration activities the Group is required to make a provision for rehabilitation. The Group's exploration activities were largely completed during the year however, no further development work has taken place and as such no significant damage has been caused up to the reporting date.

(ii) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

3. Administrative expenses

	2012 US$'000	2011 US$'000
Staff costs	**2,712**	2,761
Professional and consultancy	**1,296**	1,167
Office expenses	**934**	1,094
Travel and accommodation	**682**	1,130
Other expenses	**1,455**	1,035
Foreign exchange loss/(gain)	**319**	(633)
Other administrative expenses	**7,398**	6,554
Research expenses[1]	**(97)**	1,334
Impairment of exploration costs[2]	**–**	656
Share-based payments	**1,292**	2,597
Total administrative expenses	**8,593**	11,141

1 The research expenses relate to an infrastructure study in respect of logistics options available for transportation and export of coal reserves as well as future projects. The positive charge in the year is a result of an over accrual in respect of the infrastructure study.

2 Impairment of exploration costs in 2011 relates to the write off of the exploration costs incurred in respect of licences 1314L and 1315L which were considered to be of no further commercial value to the Group and a decision was made to relinquish these licences (note 6).

Auditors' remuneration

	2012 US$'000	2011 US$'000
Group auditors' remuneration		
– audit of the Group's accounts	**80**	69
– audit of the Group's subsidiaries	**40**	23
Other services		
– other services relating to taxation	**–**	9
	120	101

Staff costs (including Directors)

	2012 US$'000	2011 US$'000
Wages and salaries	**3,794**	5,332
Share-based payments	**1,292**	2,597
Social security costs	**226**	247
	5,120	8,176

US$1,308,247 (2011: US$2,817,914) included within wages and salaries related to exploration and evaluation costs and have been capitalised to intangible assets (note 6).

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

	2012 Number	2011 Number
Operational	**24**	24
Administration	**24**	20
	48	44

Key management compensation:

	2012 US$'000	2011 US$'000
Salary	**1,503**	1,765
Fees	**139**	–
Social security costs	**157**	235
	1,799	2,000
Pension	**52**	82
Share-based payments	**920**	1,838
	2,771	3,920

Key management personnel are considered to be Directors and senior management of the Group.

4. Taxation

The Group entities subject to corporate income tax are Ncondezi Coal Company Mozambique Limitada which is subject to tax at the rate of 32% (2011: 32%) on its profits in Mozambique and Ncondezi Services (UK) Limited which is subject to tax at a rate of 24% (2011: 26%) on its profits in the UK. No tax charge/(credit) arose in the current or prior year for Ncondezi Coal Company Mozambique Limitada.

Tax payable for 2012 has been estimated at US$55,000 and has been reconciled to the expected tax charge based on the Group losses at the standard rate of taxation in the UK where the Group has generated taxable profits as follows:

	2012 US$'000	2011 US$'000
Current tax – UK corporation tax	**55**	84
Group loss on ordinary activities before tax	**(8,550)**	(6,982)
Effects of:		
Reconcile to UK corporation tax rate of 24.5% (2011: 26%)	**(2,095)**	(1,815)
Differences arising from different tax jurisdictions	**1,136**	1,081
Non-deductible expenses	**131**	195
Foreign exchange effect originating in overseas companies	**243**	101
Unrecognised taxable losses carried forward	**640**	522
Total tax charge for the year	**55**	84

During the exploration and development stages, the Group will accumulate tax losses which may be carried forward. As at 31 December 2012, no deferred tax asset has been recognised for tax losses of US$1,442,000 (2011: US$802,000) 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.

Tax losses in Mozambique are available for use over a five year period. Of the total available Mozambican subsidiary tax credits, US$640,000 will be available until 31 December 2017, US$522,000 will be available until 31 December 2016, and US$280,000 will be available until 31 December 2015.

5. 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.

Due to the losses incurred during the period a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share. There were share incentives outstanding at the end of the year that could potentially dilute basic earnings per share in the future. There were no potential Ordinary Shares outstanding in the year (2011: Nil).

	2012			2011		
	Loss US$'000	**Weighted average number of shares (thousands)**	**Per share amount (cents)**	Loss US$'000	Weighted average number of shares (thousands)	Per share amount (cents)
Basic and diluted EPS	**(8,605)**	**121,116**	**(7.1)**	(7,066)	120,473	(5.9)

6. Intangible assets

	Exploration and evaluation costs US$'000	Other intangible assets US$'000	Total US$'000
Cost			
At 1 January 2012	**28,459**	**149**	**28,608**
Additions	**10,565**	**–**	**10,565**
Impairment	**–**	**–**	**–**
Foreign exchange	**–**	**5**	**5**
At 31 December 2012	**39,024**	**154**	**39,178**
At 1 January 2011	13,493	103	13,596
Additions	15,622	46	15,668
Impairment	(656)	–	(656)
At 31 December 2011	28,459	149	28,608
Amortisation			
At 1 January 2012	**–**	**45**	**45**
Amortisation charge	**–**	**52**	**52**
At 31 December 2012	**–**	**97**	**97**
Net Book value 2012	**39,024**	**57**	**39,081**
Net Book value 2011	28,459	104	28,563
Net book value 2010	13,493	93	13,586

Exploration and evaluation costs relate to the initial acquisition of the licences and subsequent exploration expenditure incurred in evaluating the Ncondezi project.

The impairment in 2011 related to exploration and evaluation costs of US$656,000 incurred in respect of exploration licences 1314L and 1315L located in Tete, Mozambique. The results of exploration works carried out in these licence areas proved to be unsuccessful and these licences were no longer considered to be of any commercial value to the Group. Consequently a decision was made to relinquish the licences 1314L and 1315L and the related costs were written off to the income statement in 2011 (note 3).

7. Property, plant and equipment

	Assets in the course of construction US$'000	Buildings US$'000	Plant and equipment US$'000	Office and computer equipment US$'000	Furniture and fixtures US$'000	Motor vehicles US$'000	Total US$'000
Cost							
At 1 January 2011	1,358	–	317	46	33	266	2,020
Additions	–	399	172	183	–	204	958
Disposals	–	–	–	–	(6)	(16)	(22)
Transfer	(1,358)	1,358	–	–	–	–	–
At 1 January 2012	**–**	**1,757**	**489**	**229**	**27**	**454**	**2,956**
Additions	**–**	**–**	**37**	**11**	**–**	**70**	**118**
Disposals	**–**	**–**	**(13)**	**(2)**	**–**	**–**	**(15)**
At 31 December 2012	**–**	**1,757**	**513**	**238**	**27**	**524**	**3,059**
Depreciation							
At 1 January 2011	–	–	21	12	7	38	78
Depreciation charge	–	59	61	72	5	96	293
Disposals	–	–	–	–	(4)	(3)	(7)
At 1 January 2012	**–**	**59**	**82**	**84**	**8**	**131**	**364**
Depreciation charge	–	75	85	83	3	129	375
Disposals	–	–	(6)	(2)	–	–	(8)
At 31 December 2012	**–**	**134**	**163**	**165**	**11**	**260**	**731**
Net Book value 2012	**–**	**1,623**	**352**	**73**	**16**	**264**	**2,328**
Net Book value 2011	–	1,698	407	145	19	323	2,592
Net book value 2010	1,358	–	296	34	26	228	1,942

8. Subsidiaries

The Group has the following subsidiary undertakings:

		% interest 2012	% interest 2011	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 (formerly Zambezi Energy Corporation Limitada)	"NCCML"	100	100	Mozambique	Mining exploration
Ncondezi Services (UK) Limited	"NSUL"	100	100	UK	Holding company
Ncondezi Power Holdings Limited	"NPHL"	100	–	Mauritius	Holding company
Ncondezi Power Company Limitada	"NPCL"	100	–	Mozambique	Energy company

Ncondezi Coal Company Mozambique Limitada (formerly Zambezi Energy Corporation Limitada) is owned by Zambezi Energy Corporation Holdings 1 Limited and Zambezi Energy Corporation Holdings 2 Limited. Ncondezi Power Company Limitada is owned by Zambezi Energy Corporation Holdings 2 Limited and Ncondezi Power Holdings Limited.

9. Trade and other receivables

	2012 US$'000	2011 US$'000
Current assets:		
Other receivables	**3,030**	2,979
Total trade and other receivables	**3,030**	2,979

Included within other receivables is US$2,682,067 (2011: US$2,530,981) in respect of VAT recoverable in Mozambique.

The fair value of receivables is not significantly different from their carrying value.

10. Cash and cash equivalents

	2012 US$'000	2011 US$'000
Cash at bank and in hand	**12,008**	30,444
	12,008	30,444

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

	2012 US$'000	2011 US$'000
US dollars	**9,170**	28,946
Great British pounds	**1,131**	1,472
South African rand	**1,651**	–
Mozambique meticais	**56**	26
	12,008	30,444

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

11. Trade and other payables

	2012 US$'000	2011 US$'000
Other payables	**1,057**	2,223
Other taxation and social security	**93**	464
Accruals and deferred income	**1,481**	731
	2,631	3,418

Included within other taxation and social security is US$Nil (2011: US$372,892) in respect of withholding tax payable in Mozambique.

The fair value of payables is not significantly different from their carrying value.

12. Share capital

Number of shares allotted, called up and fully paid	**2012**	2011
Ordinary shares of no par value	**121,115,682**	121,115,682

	Shares issued Number	Share capital US$'000
At 1 January 2012	**121,115,682**	**76,108**
At 31 December 2012	**121,115,682**	**76,108**

Number of shares allotted, called up and fully paid	Shares issued Number	Share capital US$'000
At 1 January 2011	119,857,334	59,245
Issue of shares	12,000,000	34,807
Share buy-back and cancellation	(12,189,474)	(20,878)
Exercise of warrants	1,447,822	2,934
At 31 December 2011	121,115,682	76,108

13. Reserves

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

Share capital	Amount subscribed for share capital
Foreign currency translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into US dollars
Other reserves	Equity element of Dos Santos Put and Call Options
Retained earnings	Cumulative net gains and losses less distributions made

14. 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

At 31 December 2012 the following share awards were outstanding:

Year of grant	Number of options shares	Start date	Vesting date	End date	Exercise price per share
2010	2,800,000	27.05.10	27.05.10	26.05.20	Nil
2010	800,000	27.05.10	27.05.10	26.05.20	25c
2010	1,000,000	10.06.10	30.09.11	09.06.20	Nil
2010	1,000,000	10.06.10	30.09.12	09.06.20	Nil
2010	83,333	11.06.10	10.06.11	10.06.20	123p (179.58c)
2010	83,333	11.06.10	10.06.12	10.06.20	123p (179.58c)
2010	83,333	11.06.10	10.06.13	10.06.20	123p (179.58c)
2010	50,000	15.06.10	10.06.11	14.06.20	123p (179.58c)
2010	50,000	15.06.10	10.06.12	14.06.20	123p (179.58c)
2010	50,000	15.06.10	10.06.13	14.06.20	123p (179.58c)
2010	600,000	30.12.10	30.09.11	29.12.20	130.5p (201.08c)
2010	100,000	30.12.10	30.09.12	29.12.20	143p (220.34c)

The Company's mid-market closing share price at 31 December 2012 was 24p (31 December 2011: 52.25p). The highest and lowest mid-market closing share prices during the year were 66.50p (2011: 230.50p) and 19.13p (2011: 51.50p) respectively.

There were no share awards issued during the year.

The fair value of the remaining 3,900,000 share awards granted under the Group's LTIP has been calculated using the Black-Scholes model and spread over the vesting period. The following principal assumptions were used in the valuation:

	Share price at date of grant	Exercise price per share	Volatility	Period likely to exercise	Risk-free investment	Fair value
27.05.10	132.44c	25c	53.50%	5 years	2.75%	107.10c
11.06.10	179.58c	179.58c	53.50%	5 years	2.75%	88.50c
15.06.10	179.58c	179.58c	53.50%	5 years	2.75%	88.50c
30.12.10[1]	301.24c	201.08c	33.86%	5 years	2.26%	139.40c
30.12.10[1]	301.24c	220.34c	33.86%	5 years	2.26%	129.68c

1 Additional market conditions are attached to these share awards. The fair value at the date of grant was determined using a probability of meeting these market conditions.

The volatility of 53.50% was calculated using the share price of a similar company with coal assets in Mozambique. The volatility of 33.86% was calculated using the Company's own share price.

Unapproved share option scheme
At 31 December 2012 the following share awards were outstanding:

Year of grant	Number of options shares	Start date	Vesting date	End date	Exercise price per share
2012	712,500	19.01.2012	19.01.2013	18.01.22	59p (90.67c)
2012	775,000	19.01.2012	30.09.2012	18.01.22	59p (90.67c)
2012	500,000	19.06.2012	19.06.2013	18.06.22	30.5p (47.83c)

The Company's mid-market closing share price at 31 December 2012 was 24p (31 December 2011: 52.25p). The highest and lowest mid-market closing share prices during the year were 66.50p (2011: 230.50p) and 19.13p (2011: 51.50p) respectively.

The fair value of the 1,987,500 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:

	Share price at date of grant	Exercise price per share	Volatility	Period likely to exercise over	Risk-free investment rate	Fair value
19.01.12	90.67c	90.67c	50%	5 years	0.9%	39.63c
19.01.12[1]	90.67c	90.67c	50%	5 years	0.9%	34.67c
19.06.12	47.83c	47.83c	50%	5 years	0.7%	20.76c

1 Additional market conditions are attached to these share awards. The fair value at the date of grant was determined using a probability of meeting these market conditions.

The volatility of 50% was calculated using the share price of a similar company with coal assets in Mozambique.

Based on the above fair values, the expense arising from equity-settled share options made to employees and Directors was US$1,292,271 for the year (2011: US$2,597,325).

15. Derivative financial asset

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

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

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

The fair value of the derivative financial asset at the date the call option was exercised in 2011 was US$21,270,000. It was calculated using the Black-Scholes model with the following principal assumptions used in the valuation:

	Initial recognition	At 20 January 2011
Share price on issue of loan notes	123.00p	220.00p
Strike price	110.70p	110.7p
Volatility	54%	34%
Risk-free investment rate	1.50%	1.5%
Fair value	35.18p	110.00p

There was no gain recognised during the year. In 2011 a gain of US$4,166,000 was recognised in the consolidated income statement in respect of the fair value movement of the derivative financial asset.

16. Segmental analysis

The Group has two reportable segments:

- Exploration – this segment is involved in the exploration of coal within the Group's licence areas in Mozambique and development of power supply project
- Corporate – this segment comprises head office operations and the provision of services to Group companies

The operating results of each of these segments are regularly reviewed by the Group's chief operating decision-maker in order to make decisions about the allocation of resources and assess their performance.

The segment results for the year ended 31 December 2012 are as follows:

Income statement	**Exploration US$'000**	**Corporate US$'000**	**Group US$'000**
For the year ended 31 December 2012			
Segment result before and after allocation of central costs	**(3,369)**	**(5,224)**	**(8,593)**
Finance expense	**(18)**	**(27)**	**(45)**
Finance income	**1**	**87**	**88**
Loss before taxation	**(3,386)**	**(5,164)**	**(8,550)**
Taxation	**–**	**(55)**	**(55)**
Loss for the year	**(3,386)**	**(5,219)**	**(8,605)**

The segment results for the year ended 31 December 2011 are as follows:

Income statement	Exploration US$'000	Corporate US$'000	Group US$'000
For the year ended 31 December 2011			
Segment result before and after allocation of central costs	(2,894)	(8,247)	(11,141)
Finance expense	(14)	(36)	(50)
Finance income	–	4,209	4,209
Loss before taxation	(2,908)	(4,074)	(6,982)
Taxation	–	(84)	(84)
Loss for the year	(2,908)	(4,158)	(7,066)

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

Income statement	**Exploration US$'000**	**Corporate US$'000**	**Group US$'000**
For the year ended 31 December 2012			
Depreciation charged to the income statement	**(356)**	**(71)**	**(427)**
Share-based payments	**–**	**(1,292)**	**(1,292)**
Income tax expense	**–**	**(55)**	**(55)**

Income statement	Exploration US$'000	Corporate US$'000	Group US$'000
For the year ended 31 December 2011			
Depreciation charged to the income statement	(270)	(58)	(328)
Share-based payments	–	(2,597)	(2,597)
Income tax expense	–	(84)	(84)

The segment assets and liabilities at 31 December 2012 and capital expenditure for the year then ended are as follows:

Statement of financial position	Exploration US$'000	Corporate US$'000	Group US$'000
At 31 December 2012			
Segment assets	41,101	15,372	56,473
Segment liabilities	(2,230)	(457)	(2,687)
Segment net assets	38,871	14,916	53,786
Property, plant and equipment capital expenditure	116	2	118
Exploration capital expenditure	10,565	–	10,565

The segment assets and liabilities at 31 December 2011 and capital expenditure for the year then ended are as follows:

Statement of financial position	Exploration US$'000	Corporate US$'000	Group US$'000
At 31 December 2011			
Segment assets	30,703	33,875	64,578
Segment liabilities	(1,543)	(1,956)	(3,499)
Segment net assets	29,160	31,919	61,079
Property, plant and equipment capital expenditure	956	2	958
Exploration capital expenditure	14,966	–	14,966

17. 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 exposure to financial instrument risks, its 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:

	2012 US$'000	2011 US$'000
Loans and receivables at amortised cost		
Trade and other receivables	**348**	448
Cash and cash equivalents	**12,008**	30,444
Financial liabilities held at amortised cost		
Trade and other payables	**2,538**	2,954

General objectives, policies and processes

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

The overall objective of the Board is to set polices 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:

Credit risk

Credit risk arises principally from the Group's investments in cash deposits.

The Group holds its cash balances with four different banks in Guernsey, London, Mauritius and Mozambique. The Group seeks to deposit cash with reputable financial institutions with strong credit ratings.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debts. 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.

Maturity analysis

2012	**Total US$'000**	**On demand US$'000**	**In 1 month US$'000**	**Between 1 and 6 months US$'000**	**Between 6 and 12 months US$'000**	**Between 1 and 3 years US$'000**
Trade and other payables	**2,538**	**–**	**2,538**	**–**	**–**	**–**

2011	Total US$'000	On demand US$'000	In 1 month US$'000	Between 1 and 6 months US$'000	Between 6 and 12 months US$'000	Between 1 and 3 years US$'000
Trade and other payables	2,954	–	2,954	–	–	–

The Group endeavours to match the maturity of its current assets with its current liabilities to mitigate liquidity risk.

Borrowing facilities
The Group had no undrawn committed borrowing facilities available at 31 December 2012 (2011: Nil).

Market risk
The Group does not currently sell any 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 in Mozambique due to certain costs arising in Mozambique Meticais, whilst the functional currency is US dollars. 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 Income Statement. The Group also manages its currency exposure by retaining the majority of its cash balances in US dollars, being a relatively stable currency.

A 5% appreciation in the value of the US dollar against the Meticais, GB pounds and ZAR will increase net assets by US$198,614 (2011: US$191,258).

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

	2012 US$'000 Assets/(liabilities) held					2011 US$'000 Assets/(liabilities) held			
	USD	**GBP**	**ZAR**	**MZN**	**Total**	USD	GBP	MZN	Total
US dollars	**8,388**	**823**	**2,783**	**392**	**12,386**	27,159	626	2,684	30,469
	8,388	**823**	**2,783**	**392**	**12,386**	27,159	626	2,684	30,469

Fair value
Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates and by applying year end exchange rates.

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values.

Fair value measurement hierarchy
IFRS 7 requires certain disclosures which require the classification of financial assets and 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. 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); and
(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 which the financial asset or financial liability is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Level 3 fair value measurements

	Derivative financial asset	
	2012 US$'000	2011 US$'000
Opening balance	**–**	17,104
Additions	**–**	–
Net gains recognised in income statement	**–**	4,166
Disposal	**–**	(21,270)
Closing balance	**–**	–

18. Contingent liabilities

Inherent uncertainties in interpreting tax legislation

The Group is subject to uncertainties relating to the determination of its tax liabilities.

The tax system and tax legislation in Mozambique have been in force for only a relatively short time and are subject to frequent changes and varying interpretations. The Directors' interpretations of such legislation in applying it to business transactions of the Group may be challenged by the relevant tax authorities and, as a result, the Group may be assessed on additional tax payments including fines, penalties and interest charges, which could have a material adverse effect on the Group's financial position and results of operations.

The Directors believe that the Group is in substantial compliance with tax legislation and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional tax is expected to arise in excess of those recognised in the financial statements.

19. Related party transactions

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

The nature of the related party relationships with whom the Group entered into transactions or had balances outstanding at 31 December 2012 and 31 December 2011 is determined by management as transactions where the Group has the ability to control the decisions taken by management of the related parties through the Group's shareholders. All companies were classified as "other related parties" according to requirements of IAS 24.

Strata Limited (ìStrataî) – relationship agreement

A relationship agreement dated 3 June 2010 ("Relationship Agreement") between the Company and Strata was executed to regulate the ongoing relationship between the Company and Strata. The principal purpose of the Relationship Agreement is to ensure that the Company is capable of carrying on its business independently of Strata and its subsidiary undertakings ("Strata Group") and that transactions and relationships with the Strata Group are at arm's length and on normal commercial terms. The Relationship Agreement will continue for so long as the Ordinary Shares are admitted to trading on AIM and Strata owns or controls in aggregate 15% or more of the issued shares or voting rights of the Company.

As at 31 December 2012 Strata held 44.82% of the Company.

Strata Capital UK LLP

Strata Capital UK LLP charged the Company US$118,650 (2011: US$160,756) in respect of legal services.

MMDN Financial Services LLP (ìMMDNî)

During the year MMDN a firm which Manish Kotecha is a partner charged the Company US$4,975 (2011: US$36,681) in respect of financial services. The balance outstanding at 31 December 2012 was US$380 (2011: US$370).

Mines Value Management

During the year US$63,213 (2011: US$64,353) was paid to Mines Value Management in respect of services provided by Nigel Sutherland.

PIP Global IP Limited ìPIPî

During the year PIP a company of which Nigel Sutherland is a Director, provided an independent mine plan and cost review on the Company's feasibility study. The total charge was US$287,561 (2011: US$Nil).

Graham Mascall

During the year Graham Mascall charged the company US$139,280 (2011: US$Nil) for consulting services.

Operating lease commitments – minimum lease payments

Ncondezi Services (UK) Limited administration office

In November 2011 the Group entered into a three-year lease for offices in London, United Kingdom. The annual rent for these offices is US$350,049 (£216,505).

Future minimum lease payments under non-cancellable operating leases as at 31 December 2012 are as follows:

	2012 **US$'000**	2011 US$'000
Within one year	**350**	335
After one year but not more than five years	**350**	670
Minimum lease payments	**700**	1,005

21. Commitments

In December 2011 a Memorandum of Understanding was signed with the Ministry of Mineral Resources in respect of a three-year Social Development Programme, with a committed spend of US$2m. During the year US$340,000 was spent as part of this programme.

22. Events after the reporting date

On 26 April 2013 the Company granted 4,300,000 share options to its senior management and contracted personnel of which 500,000 options vest as at the date of grant, 1,875,000 options are subject to milestone based vesting conditions ("Milestone Based Awards") and 1,925,000 options are subject to time based vesting conditions ("Time Based Awards"). The options have an exercise price of 17.25p and are exercisable within three years of vesting. Simultaneously it has been agreed to cancel and/or lapse prior unexercised share awards in respect of 2,762,500 Ordinary Shares, with varying exercise prices between 59p and 143p.

The Milestone Based Awards provide that $^{1}/3$ of the Milestone Based Awards vest upon the successful conclusion with an offtaker of Heads of Terms for a Power Purchase Agreement and the other $^{2}/3$ of the Milestone Based Awards are to vest upon the execution of a Power Purchase Agreement for all or part of the first 300MW phase of the Ncondezi Power Project.

The Time Based Awards provide that the share options vest in two equal tranches on the first and second anniversary from the date of grant.