NCONDEZI ENERGY

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NEWS RELEASE

Audited Final Results for Year Ended 31 December 2013

20 May 2014: Ncondezi Energy Limited ("Ncondezi" or the "Company") (AIM: NCCL) is pleased to announce its audited final results for the year ended 31 December 2013.

Project Highlights:

- Fully binding Power Framework Agreement with the Department of Energy
- Heads of Terms signed for:
  - Power Purchase Agreement
  - Coal Supply Agreement
  - Transmission Agreement
  - Power Plant Project Vehicle Ownership
- Mine Concession granted by Ministry of Mineral Resources
- Power Concession application submitted to Department of Energy
- Power Purchase Agreement submitted to EdM
- Co-developer update expected Q2 2014

Corporate Highlights

- £3 million raised via an Open Offer and Placing
- Board streamlined from nine to six Directors
- Funded to complete Power Purchase Agreement, Power Concession, Co-Developer and EPC work streams
- Cash balance US$5.1m, as at 30 April 2014

Paul Venter, Chief Executive Officer of Ncondezi commented:
"The Ncondezi Project gained significant momentum during 2013, as we achieved a number of key milestones with the signing of Heads of Terms on all key commercial agreements for power plant project and the receipt of our Mining Concession. This enabled the Power Framework Agreement, which sets out the timetable and requisite Government and Developer milestones to Project and Financial Close, to become binding.

This accelerated pace has continued in the first half of this year as we seek to conclude final negotiations on the Power Concession, the Power Purchase Agreement, the Coal Supply Agreement and the Co-Developer process. I look forward to updating shareholders in the coming months."

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Ncondezi Energy owns 100% of the Ncondezi Project which is strategically located in the power generating hub of the country, the Tete Province in northern Mozambique. The Company is developing an integrated thermal coal mine and power plant in phases of 300MW phases, up to 1,800MW. Commissioning is planned for 2017, followed by commercial operations in H1 2018. The first 300MW phase is targeting domestic consumption in Mozambique using reinforced existing transmission capacity to meet current demand.

Chairman's Statement

Dear Shareholder,

I am pleased to report that during 2013 Ncondezi made substantial progress in advancing its 300 megawatt ("MW") integrated thermal coal power plant and mine (the "Ncondezi Project" or "the Project"), near Tete in Northern Mozambique, towards commercialisation.

Following completion of the technical studies in 2012 and the decision to proceed with development of the Ncondezi Project, the team's priority for the year was on negotiating the framework for the key commercial, financial and legal parameters of the Ncondezi Project with the Mozambican Government and Electricidade de Mozambique ("EdM"), the state owned power utility company.

This was achieved in December 2013 when all conditions precedent to the Power Framework Agreement ("PFA") were fulfilled, just nine months after signing the PFA with the Mozambican Government. It is a tremendous achievement and, importantly, also a formal endorsement of the Ncondezi Project by the Mozambican Government.

The Ncondezi Project has now been included in the country's electrification and power generation strategy, with 100% of the Project's initial 300MW gross output expected to be supplied to EdM. This will provide a significant boost to the Northern Grid, one of Mozambique's fastest growing energy demand regions.

In order for the Power Framework Agreement to become binding, we signed a number of Heads of Terms agreements and have now agreed the key parameters for the Project. This includes confirmation that EdM will be the power plant's exclusive purchaser of electricity through a commercial tariff structure. In addition, binding Heads of Terms were signed for the power plant project vehicle which provides for an agreed Government and local participation mechanism, the final details of which are expected be negotiated during 2014. This stands us in good stead as we enter the final round of negotiations to turn the Heads of Agreements into binding commercial agreements during Q2 2014. We continue to target Project Close by the end of Q4 2014, in order to start construction of the power plant during 2015, with commissioning expected in H2 2017 and commercial operations in H1 2018.

Turning to the Ncondezi mine, following the publication of the Mine Definitive Feasibility Study ("DFS") in December 2012 which contemplated a large scale mine producing both export and domestic grade products, the emphasis over the past year has been on optimising the development of a smaller open pit mining operation, initially focused on supplying the first 300MW power plant.

A 300MW power plant requires approximately 1.5 million tonnes per annum ("Mtpa") of domestic grade thermal coal feedstock. During the year we completed an in-fill drilling programme in the South Pit area, where we intend to commence mining operations, and confirmed that we have more than sufficient coal resources to supply the power plant for in excess of 25 years, with a measured JORC resource of 120 million tonnes ("Mt"). The open pit mining operation will be operated and managed by a contractor for which we have received final binding quotes during Q1 2014. Mining operations are anticipated to commence in 2017.

The engineering, procurement and construction ("EPC") tender process for the power plant has progressed well. We commenced the search for an EPC firm in March 2013 and received strong expressions of interest from 15 firms, including large, well known multinationals, to provide a turnkey power plant solution. A short-list of firms were invited to a binding tender process in October 2013 and final bids were received in early 2014.

These bids are now being reviewed in consultation with STEAG, one of our project advisers, and the winning bid is expected to be announced during H2 2014. Whilst the terms of the bids are commercially sensitive and confidential, initial evaluation has confirmed that the power plant's capital costs and build times are in line with expectations we have previously announced to the market, and project financing between 70% - 85% of the EPC contract price should be achievable.

We believe the Project's economics are attractive, targeting a nominal equity 18%-20% IRR based on annual revenues of over US$200 million and average EBITDA margins of over 50%. This would give the power plant an estimated NPV of over US$200 million at Financial Close and estimated net equity cash flows of more than US$2 billion over the life of the power plant, based on a conservative debt to equity ratio of 70:30 and a nominal post tax WACC of 12%.

Between 15% – 30% of the 300MW Project's funding is expected to be financed with equity and Ncondezi is examining various options to minimise its equity contribution. As is market practice in emerging market power station development, the Company is seeking a co-developer to fund the Ncondezi Project to Financial Close and potentially through construction. Discussions are underway with potential co-developers and we hope to conclude these discussions in Q2 2014.

In November 2013, we raised approximately £3 million from current and new shareholders via an Open Offer and Placing and the current cash balance of the Group was US$5.1m, as at 30 April 2014. The Company is funded to complete the PPA, Power Concession, Co-developer and EPC work streams, which are targeted for Q2 2014.

With the business now focused solely on power generation, shareholders approved the Company's name to Ncondezi Energy. During the second half of the year, the Board was further strengthened with the appointment of Jacek Glowacki as a Non-Executive Director, bringing with him over 30 years of international experience in the power sector. The final restructuring of the Board to re-orientate it to power generation was completed in early 2014. I would like to take this opportunity to thank Messrs Richard Stuart, Graham Mascall, Mark Trevan and Nigel Sutherland for guiding Ncondezi through its early years as a coal exploration company.

Ncondezi enters 2014 well placed to deliver the final binding commercial and legal agreements, targeted during Q2 2014, which are required to move the Ncondezi Project into the final stage of development, project financing. The project economics are robust and offer a potential co-developer an attractive entry point into the Mozambican power generation sector. Whilst we remain focused on commercialising the first phase of the project, with a 300MW power plant, the scalability of the power plant to ultimately 1,800MW, underpins the attractiveness of our project to large, international independent power producers looking to build an energy platform in southern Africa. The team has established a strong working relationship with both the Mozambican government and EdM, and it is a testament to their hard work and dedication that we accomplished so much during 2013, and start 2014 with such solid momentum.

Michael Haworth
Chairman

Operations Review

The Ncondezi Project gained significant momentum during 2013. Heads of Terms were negotiated on all key commercial agreements for both the mine and the power plant and a number of permitting milestones were achieved. This resulted in the Company successfully completing the conditions precedent required for the Power Framework Agreement ("PFA"), signed with the Government of Mozambique, by the end of the year. The PFA sets out the agreed pathway, timetable and requisite milestones that Government and Ncondezi need to deliver in order to reach Project and Financial Close.

The 300MW Project
Ncondezi is focused on the phased development of an integrated thermal coal fired power plant and mine, commencing with 300MW as Phase 1. The Project is located near Tete in Northern Mozambique. Technical studies on both the power plant and the mine have been optimised and updated during 2013, further enhancing the viability and economic attractiveness of the Project.

Life of Mine Fuel Supply
During the year, Ncondezi completed an additional infill drilling programme over the planned open pit mining area within the South Block that has been identified as the most economical to supply coal to the power plant. The drilling of 33 core and 3 large diameter boreholes was focused on further increasing the drill density and upgrading the JORC Indicated Resources into a Measured category.

A Measured Resource of 120 million mineable tonnage in situ ("MTIS") has been classified by the Company's geological consultant, the Mineral Corporation Consultancy (Pty) Ltd, in the South Block in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code").

This resource will be more than sufficient to provide the 300MW power plant with enough coal for 25 years plus a 40% contingency.

In October 2013, the Ncondezi mine and power plant signed an arm's length Heads of Terms for the Coal Supply Agreement that will govern the 25 year coal supply offtake agreement. The binding Coal Supply Agreement is expected to be finalised in Q2 2014.

The Ncondezi Open Pit Mine
The Ncondezi mine will be an open pit, truck and shovel, contractor mining operation with an estimated 24 month construction period. The timing of the mine's construction and commissioning will be determined by the ramp up and steady state requirements of the power plant. Ncondezi currently expects to commission the mine in H2 2017 to meet the power plant's coal feed requirements.

The optimised mine Feasibility Study (the "Mine FS") was completed in Q4 2013 and confirmed the technical and economic viability of the South Mine as a dedicated supplier of coal feedstock to the power plant over a 25 year Life of Mine ("LoM"), with contingency to supply up to 40 years LoM.

The optimal mining area identified within the South Block, covering an area of 200 hectares, has been named the South Mine. The mine is targeting an average annual production of 1.5Mt of domestic grade coal, with an average strip ratio of 0.61 BCM/tonne and an average yield of 92%, over the LoM, as most of the raw coal does not require washing.

The mine operating cost over the LoM is expected to be between US$15 to US$20 per saleable tonne of coal, based on contractor quotes and benchmarking. Operating costs include mining contractor cost (which includes fuel, labour, maintenance, consumable costs and stay-in-business capital related to mining), utilities (i.e. power and water), CHPP operating cost (which includes consumables, labour, maintenance etc) and any other overhead costs incurred during the life of the operation.

In early 2014, Ncondezi launched a formal tender process for the mining contractor; an update on this process is expected in Q2 2014.

Mine Permitting
During 2013, Ncondezi successfully achieved two important permitting milestones for the mine. In August 2013, the Company received its Mining Concession from the Mozambican Ministry of Mineral Resources. The Mining Concession grants Ncondezi, amongst others, the exclusive right over 25 years to mine and exploit the Ncondezi coal deposit until 2038. In October 2013, the Ministry for Coordination of Environmental Action ("MICOA") approved the Environmental Social Impact Assessment ("ESIA") for the Ncondezi mine. Ncondezi will now commence the application process for an environmental permit.

The issuance of the Mining Concession marks an important and significant step forward for the Ncondezi Project as it secures the coal fuel supply for the power project, as well as fulfilled one of the key conditions precedents to the Power Framework Agreement.

Along with the issuance of the Mining Concession, Ncondezi's local subsidiary NCCM Lda also concluded an Addendum to Mine Framework Agreement ("MFA") with Mozambican Ministry of Mineral Resources ("MIREM"). Under the terms of the Addendum to the MFA, it has been agreed that the Government owned Mozambican Mining Exploration Company ("EMEM") will be granted a 5% free carry in the share capital of NCCM Lda up to the start of the Ncondezi mine's construction. However, from the commencement of construction EMEM will be required to pay, through an agreed funding mechanism, for its share of any future equity funding obligations that may be required from the shareholders of NCCM Lda including its share of the construction and commissioning costs of bringing the Ncondezi Mine into commercial operation. In addition, Ncondezi will spend a minimum of US$5million on social development programmes to be developed for the Ncondezi Project over the life of the project.

Securing Power Offtake
In October 2013, EdM, the state owned utility company, confirmed it would be the exclusive purchaser of 100% of the power plant's net supply with the signing of the Power Purchase Agreement Heads of Terms ("PPA HoTs").

The PPA HoTs sets out the key principles for the sale and purchase of electricity and ancillary services between EdM and Ncondezi, as well as the construction and transfer of a transmission line to connect the power plant to the Northern Grid in Mozambique.

As well as agreeing that EdM will be the exclusive buyer of the electricity from the Ncondezi Project for a 25 year period from the date of commercial operation, which is being targeted in H1 2018, the PPA HoTs also confirmed that the commercial tariff composition will cover fixed, capacity, energy and ancillary service payments for the power plant, and will be include appropriate indexation.

Formal negotiations to turn the Heads of Terms into a binding Power Purchase Agreement commenced in Q1 2014, following Ncondezi's submission of a draft PPA to EdM. A Final Form PPA is expected to be concluded in H2 2014.

Power Plant EPC Process
During the year, the power plant engineering, procurement and construction ("EPC") process got underway. Following a strong initial expression of interest from 15 international firms, Ncondezi short-listed seven bidders to submit a fixed price lump sum turnkey contract for the engineering, procurement, construction and commissioning of two 150MW power plant boiler units using Circulating Fluidised Bed ("CFB") technology. Four bids were received in Q1 2014 and Ncondezi is currently assessing each bid and the associated project funding package. Final negotiations with the preferred bidders will take place during Q2 2014 and the winning EPC bidder is expected to be announced in H2 2014.

Robust Power Plant Project Economics
Indicative non-binding bids from EPC contractors, received in June 2013 before the final tender round, confirmed the Company's projected economics for the power plant. Estimated annual revenues will be over US$200 million per annum with average EBITDA margins over 50%. A nominal equity IRR of between 18%-20% is being targeted by Ncondezi, which the Directors believe will give an estimated power plant NPV at Financial Close of in excess of US$200 million and estimated net equity cash flows of in excess of US$2 billion over the life of the power plant. These estimates are based on a debt to equity ratio of 70:30 and a nominal post tax WACC of 12%.

Sourcing Development Capital
In September 2013, Ncondezi appointed KPMG LLP ("KPMG") as its Project Financial Adviser to assist Ncondezi with sourcing development funding and finalisation of the Project's structure and the commercial agreements leading up to and including a bankable Power Purchase Agreement.

One of the options being considered for development funding is a co-developer, who jointly invests in the Ncondezi Project to fund the Company to Financial Close. This process started in late 2013 and is currently underway. The Company expects to update shareholders further during Q2 2014.

Ncondezi also expects to have local participation in the power plant and has signed a Power Plant Project Vehicle Ownership Binding Heads of Terms ("PPPV HoTs") with the Government of Mozambique, represented by the Ministry of Energy. Under the terms of the PPPV HoTs, the State's nominated investor, which is expected to be Electricidade de Moçambique ("EdM"), will have a base participation of 5% in the share capital of the PPPV, to be funded via a financing mechanism to be agreed with Ncondezi. EdM will also have an option to acquire an additional 10% equity in the PPPV on commercial terms, exercisable up to Financial Close of the power plant. Ncondezi will endeavour to promote participation in the PPPV by a Mozambican strategic investor on commercial terms and foreign strategic investors will be allowed to participate in the PPPV on commercial terms.

Power Plant Permitting
In November 2013, Ncondezi received approval for the power plant ESIA from the Ministry for Coordination of Environmental Action ("MICOA"). Ncondezi will now commence the application process for an environmental permit.

In early 2014, the Company submitted its Power Concession application to the Department of Energy and negotiations are underway. The Company is targeting 2014 for formal receipt of the Power Concession, which will form part of the Power Purchase Agreement.

Transmission
Ncondezi requires a new c.90km high voltage line to connect the power plant to the Northern Grid. This transmission line will be built under a "Build, Operate, Transfer" formula included in the transmission line Heads of Terms, which were agreed in late Q4 2013. The transmission line EPC process will be commencing shortly. Post construction and commissioning of the transmission connection to the Northern Grid, Ncondezi will transfer ownership to EdM for consideration of either a lump sum payment, fixed monthly instalments or a combination of both.

The transmission ESIA is well advanced and Ncondezi is targeting submission to MICOA and public consultation in H2 2014, following a minor revision to the transmission route in order to minimise village relocations.

Expansion Potential
One of the strengths of the Ncondezi Project is its scalability up to 1,800MW. The power plant has been designed to be developed in modules of 300MW. Such is the strong demand for power in Mozambique, once the first phase of the power plant is operational, it is expected that work on the development of Phase 2 will commence shortly thereafter. It is this expansion potential which has attracted the large, international players in the power generation sector to the Project, both as potential strategic investors as well as possible EPC contractors.

Results from operations
The Group made a loss after tax for the year of US$6.8m compared to a loss of US$8.6m for the previous financial year. The basic loss per share for the year was 5.6 cents (2012: 7.1 cents).

Administrative expenses totalled US$6.7m (2012: US$8.6m). This included a share based payments charge of US$0.4m (2012: US$1.3m).

Financial Position
The Group's statement of financial position at 31 December 2013 and comparatives at 31 December 2012 are summarised below:

	2013 US$'000	2012 US$'000
Non-current assets	**45,599**	41,409
Current assets	**9,109**	15,064
Total assets	**54,708**	56,473
Current liabilities	**2,744**	2,687
Total liabilities	**2,744**	2,687
Net assets	**51,964**	53,786

The movement in non-current assets of US$4.2m was largely due to US$4.2m additions arising on continued development of Ncondezi Mining and Power Projects reduced by a depreciation charge for the year of US$0.4m, and an increase ofUS$0.4m in restricted cash balance. The decrease in current assets of US$6.0m is attributable to a decrease in cash and cash equivalents.

Cash Flows
The net cash outflow from operating activities for the year was US$5.2m (2012: US$8.6m).

Net cash used in investing activities was US$4.6m (2012: US$9.7m), including US$4.2 on development activities (2012: US$14.2m) incurred on the Ncondezi Project, and the transfer of US$0.4m to restricted cash.

The resulting year end cash and cash equivalents held totalled US$6.7m (2012: US$12.0m).

Outlook
The Directors have reviewed future cash forecasts, with particular reference to minimum expenditure requirements on the licences and the intended work programme for the Ncondezi Project for 2014, which is focused on advancing negotiations on the key commercial agreements.

The Group has sufficient funds to complete the PPA, Power Concession, Co-developer and EPC work streams, which are targeted for Q2 2014. These are key work streams that will materially advance the development of the Ncondezi Project.

The Directors are in negotiations with a number of parties in respect of raising further funds to continue with the development programme for the Ncondezi Project. If a transaction with a potential Co-developer is concluded as currently targeted in 2014 the Group will have sufficient funds to continue with a full development programme for the Ncondezi Project. 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. In the event that further funding is not secured the Group will implement its cost reduction strategy to ensure that it has sufficient funds to continue its activities on a reduced basis through to the end of H1 2015.

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.

Manish Kotecha
Chief Financial Officer

Resource summary

Overall Project Resources (Feb 2013)

					MTIS Qualities (air-dried basis)													
					Raw							17MJ/kg CV Primary Product						
Coal type	**Resource Category**	**GTIS Mt**	**TTIS Mt**	**MTIS Mt**	**RD**	**IM %**	**AS %**	**VM %**	**FC %**	**CV MJ/kg**	**TS %**	**Yield %**	**IM %**	**AS %**	**VM %**	**FC %**	**CV MJ/kg**	**TS %**
High Volatile	Indicated	867.0	772.8	742.5	1.85	1.4	53.5	18.1	27.0	13.83	1.01	71.3	1.4	44.4	20.5	33.7	17.61	1.09
	Inferred	3,605.2	3,035.8	2,367.4	1.94	1.9	57.7	18.6	21.9	11.79	1.00	62.6	2.0	44.7	22.2	31.1	17.07	1.13
Low Volatile	Indicated	819.5	737.6	723.9	1.91	1.9	51.8	7.5	38.7	12.73	0.88	71.7	1.9	42.6	9.1	46.4	17.29	1.01
	Inferred	264.8	225.1	172.8	1.92	1.8	52.1	7.6	38.5	12.78	0.83	70.8	1.8	42.5	9.0	46.7	17.41	0.98
Subtotals/Averages	***Indicated***	***1,686.5***	***1,510.4***	***1,466.4***	***1.88***	***1.7***	***52.7***	***12.9***	***32.8***	***13.29***	***0.94***	***71.5***	***1.6***	***43.5***	***14.9***	***40.0***	***17.45***	***1.05***
	Inferred	***3,870.0***	***3,260.9***	***2,540.1***	***1.94***	***1.9***	***57.4***	***17.8***	***23.0***	***11.86***	***0.99***	***63.2***	***1.9***	***44.6***	***21.2***	***32.3***	***17.09***	***1.12***
Total	***Ind & Inf***	***5,556.6***	***4,771.3***	***4,006.5***	***1.92***	***1.8***	***55.6***	***16.0***	***26.6***	***12.38***	***0.97***	***66.2***	***1.8***	***44.1***	***18.7***	***35.4***	***17.24***	***1.09***

Notes:

Indicated resources were defined within areas where the spacing of boreholes with raw coal quality data is approximately 500 metres. Extrapolation of these areas was limited to approximately 250 metres

Inferred resources were defined within areas where the spacing of boreholes with raw coal quality data is approximately 2 000 metres. Extrapolation of these areas was limited to approximately 1 000 metres

GTIS (Gross Tonnage in situ) figures represent the entire classified resource for the block, below the observed limit of weathering, with application of a 0.5 metre minimum ply thickness cut-off, but no depth restriction (in the Central Block, classified resources reach approximately 400m depth; in the North Block 600m; in the South and West Blocks 300m, in the East Block 330m and in the River Block 500m)

TTIS (Total Tonnes in situ) figures for high and low volatile coals were calculated from the GTIS tonnage by applying Geological Losses. The losses applied were generally 10% for Indicated resources and 15% for Inferred resources. In the Central Block, these were increased to 15% and 20% respectively

MTIS (Mineable Tonnes in situ) figures represent that part of the TTIS which exists above a depth of 250m

All qualities are quoted on an air-dried-basis. IM=Inherent Moisture, AS=Ash Yield, VM=Volatile Matter Content, FC=Fixed Carbon, CV=Calorific Value, TS=Total Sulphur.

Product yields are theoretical yields for +0.5mm material derived from slim core samples

RDs were weighted against MTIS coal volume to obtain average resource RDs

Raw qualities and product yields were weighted against MTIS tonnage to obtain average yields

Product qualities were weighted against wash yield and MTIS tonnage to obtain average resource qualities

"Low Volatile" coals have been devolatilised by igneous intrusions. Studies by Ncondezi indicate that these coals are suitable for power generation

Low volatile coals are not common in the Central, West and River Blocks and have been excluded from resources

The Central, North, South and East Block models comprise detailed ply models suitable for mine planning purposes. The West and River Block models utilise a cumulative coal thickness methodology that is appropriate only to the classification of Inferred Resources

As hydrological studies have not yet been finalised, no allowance has been made for potential sterilisation of resources below the limits of the Ncondezi or Revuboe Rivers' flood lines. This could affect resources in the Central, North, West and River Blocks

Certain amounts of averaged 'control' data were included in the quality database, particularly wash analyses of low volatile coal samples

Resource summary

South Block Measured Resource (November 2013) (The Measured Resources are a subset of the Indicated and Inferred Resources reported in February 3013)

				TTIS/MTIS Qualities (air-dried basis)													
				Raw							16.12MJ/kg CV Product (theoretical)						
Ply Grouping	Volatile category	GTIS Mt	TTIS/ MTIS Mt	RD	IM %	AS %	VM %	FC %	CV MJ/kg	TS %	Yield %	IM %	AS %	VM %	FC %	CV MJ/kg	TS %
Sub-total plies A18-A48	Low-mid	52.90	48.93	1.85	1.2	50.4	9.3	39.1	13.26	1.15	78.7	2.0	43.0	10.1	44.9	16.72	0.99
	High	39.04	36.11	1.72	0.9	45.8	19.9	33.4	17.17	1.22	92.9	1.3	44.5	20.2	34.1	17.52	1.09
Sub-total plies A02-A16	Low-mid	26.66	24.66	1.98	1.1	62.1	8.8	27.9	8.81	0.77	48.4	1.8	44.9	10.2	43.0	16.18	0.84
	High	10.86	10.05	1.90	0.7	59.3	15.5	24.5	11.14	0.91	56.3	1.0	47.3	18.1	33.6	16.32	0.92
Total All plies	**Low-mid**	**79.55**	**73.59**	**1.89**	**1.1**	**54.3**	**9.2**	**35.4**	**11.77**	**1.03**	**68.5**	**2.0**	**43.5**	**10.1**	**44.4**	**16.59**	**0.96**
	High	**49.90**	**46.16**	**1.76**	**0.9**	**48.7**	**18.9**	**31.5**	**15.86**	**1.16**	**84.9**	**1.2**	**44.9**	**19.9**	**34.0**	**17.35**	**1.07**
Overall averages & tonnages:		***129.45***	***119.74***	***1.84***	***1.0***	***52.2***	***12.9***	***33.9***	***13.35***	***1.08***	***74.8***	***1.6***	***44.1***	***14.4***	***39.9***	***16.92***	***1.01***

Notes:

Measured Resources were defined within an area where the spacing of boreholes with raw coal quality data is approximately 250m. Extrapolation of this area was limited to 125 metres beyond the outermost qualifying boreholes.

GTIS (gross tonnage in situ) figures represent the entire Measured Resource below the observed limit of weathering and with application of a 0.5m minimum ply thickness cut-off.

TTIS (total tonnage in situ) figures were calculated from the GTIS tonnage by applying Geological Losses of 7.5%.

MTIS (mineable tonnage in situ) figures represent that part of the TTIS which exists above a depth of 250m. As all the Measured Resource is shallower than 120m, the TTIS in this case equals the MTIS.

A raw ash yield limit of 70% was generally applied at the time of ply definition and correlation.

All qualities are quoted on an air-dried-basis. IM=Inherent Moisture, AS=Ash Yield, VM=Volatile Matter Content, FC=Fixed Carbon, CV=Calorific Value, TS=Total Sulphur.

Product yields are theoretical yields for +0.5mm material derived from slim core samples.

Ply thicknesses were weighted against TTIS/MTIS coal seam area to obtain average resource ply thicknesses.

Relative Densities (RD) were weighted against TTIS/MTIS coal volume to obtain average resource RDs.

Raw qualities and product yields were weighted against TTIS/MTIS tonnage to obtain average yields.

The 16.12MJ/kg CV target product specification was provided by Ncondezi.

Product qualities were weighted against wash yield and TTIS/MTIS tonnage to obtain average product qualities.

Low-mid volatile coals have been devolatilised by igneous intrusions. A Pre-feasibility study by Hugh Brown and Associates indicates that these are suitable for power generation.

The coal volatile category was determined using raw coal volatile contents on a dry, ash-free basis and adjustment factors related to the raw ash yield of the coal.

Certain amounts of averaged 'control' data were included in the quality database, where adequate analytical data did not exist in pre-2013 boreholes.

Based on the relative distribution of coal plies, partings and dolerite sills, and the coal ply qualities, the mining package will likely generally comprise plies A18 to A44, with plies A46 and A48 taken at the top where possible. Sub-totals have therefore been supplied for ply groupings A02-A16 and A18-A48.

Resource summary

Competent Person's statement

The information in this Annual Report that relates to coal resources is based on information compiled by Mark C Stewardson and Gavin Andrews of Mineral Corporation Consultancy (Pty) Limited. Both Mr Stewardson and Mr Andrews are Competent Persons who are registered as Professional Natural Scientists in the field of Geological Science with the South African Council for Natural Scientific Professions, a Recognised Professional Organisation included in a list that is posted on the ASX website from time to time. Neither Mineral Corporation Consultancy (Pty) Limited nor any of its Directors, staff or sub-consultants who contributed to this resource estimation has any material interest in Ncondezi or in the assets under consideration.

Both Mr Stewardson and Mr Andrews have sufficient experience that is relevant to the type of coal deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr Stewardson and Mr Andrews consent to the inclusion in this Annual Report of the information based on their work in the form and context in which it appears.

The JORC Code sets out minimum standards, recommendations and guidelines for Public Reporting of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this release has been presented in accordance with the JORC Code and references to "Measured" Resources are relevant to that term as defined in the JORC Code.

A Competent Person's Consent Form is held on record by Ncondezi.

The Project Resource report was compiled in accordance with the 2004 version of the JORC Code and that the Measured Resource report was compiled in accordance with the 2012 version of the JORC Code.

The references for the supporting reports to the resource estimations are:

- The Mineral Corporation, February 2013: Coal Resource Estimates for Licences 804L and 805L, Tete Province, Mozambique; and
- The Mineral Corporation, November 2013: Measured Coal Resource Estimate for South Block, Ncondezi Project, Tete Province, Mozambique.

Environmental and Social Responsibility

Ncondezi Social Development Programme
Ncondezi's corporate social responsibility ("CSR") policy has been designed to promote social development projects that facilitate sustainable development and focus on community involvement. Ncondezi adheres to the Equator Principles, the IFC performance standards and to Mozambican legislative requirements.

In 2012, Ncondezi formalised its CSR policy with the signing of a three year Social Development Programme ("SDP") with the Government of Mozambique. The SDP is being implemented as a public-private partnership between the Company, the local communities in the Moatize District and the Government.

In 2013, the highlight of the SDP was the agricultural project. The objective of the project is to train and educate the local community in all aspects of plant management and animal husbandry. In September 2013, a group of 10 candidates were selected from various village communities in the area and sent to Zimbabwe for a week's course on the concept of conservation farming. Once back in Mozambique, each student will then share this knowledge in their respective villages.

In parallel to this, Ncondezi also planted various crops incorporating different varieties as a demonstration exercise. Ncondezi cleared a 10 hectare block of land in the Catabua 2 area adjacent to the Ncondezi River. This was fenced off to protect the crops from local animal damage. Within the fenced area 20 plots were demarcated and allocated to the local community together with seed and fertilizer. The trials carried out at the plot adjacent to the camp using compost and no compost was very successful in illustrating the advantages of good crop nutrition.

The first poultry house has been completed and the first batch of broilers will be purchased in 2014. These will be fed on maize reaped and ground from Ncondezi crops.

Alongside the agricultural project, Ncondezi also sponsored the following activities:

Potable Water Boreholes
Potable water boreholes were drilled and developed at 10 sites within the Ncondezi Project's area of influence, giving villages and settlements access to potable water.

Tertiary Education
Four students were granted bursaries during 2013 to study in Portugal. Two of them completed their Masters degrees in Geology with distinction at the University of Coimbra, the remaining two students completed the first year of their Masters degree in Mining Engineering and are currently in their second and final year.

Clinic at Mameme
During the year, refurbishment of the Medical Clinic at Mameme, close to the Ncondezi Project, was completed and a Maternity wing added. The project was undertaken by the Moatize Administration with financial support from Ncondezi.

Ambulance for Ncondezi Ceta
A 4x4 ambulance was purchased to assist villagers in remoter areas within the project area get to the local clinic.

Directors’ Biographies

Michael Haworth / Non-Executive Chairman
Michael Haworth is a Non-Executive Director of Zanaga Iron Ore Company Limited and is a director of Strata Limited (“Strata”), a major shareholder of the Company.

Mr Haworth has over 16 years' investment banking experience, predominantly in emerging markets and natural resources. Prior to establishing Strata in 2006, Mr Haworth was a Managing Director at J.P. Morgan and Head of Mining and Metals Corporate Finance in London.

Paul Venter / Chief Executive Officer (appointed 26 April 2013)
Paul Venter joined the Company as Chief Operating Officer in June 2012 and has been responsible for delivering the Company’s power strategy. Mr Venter has over 39 years' experience across Africa, Mongolia, China and Russia in the mining, power generation and transport industries.

During his recent tenure as Vice President - Energy Operations at Prophecy Coal Corp, a TSX listed company, he was instrumental in the successful commissioning of the Ulaan Ovoo coal mine in Mongolia into production within six months after the acquisition of the asset. He also played a pivotal role in the development phases of the first coal fired Independent Power Producer in Mongolia.
Prior to this, Mr Venter held a number of senior positions within the coal industry, including Managing Director of EN+ Group’s coal mining activities in Russia and senior executive positions in the coal divisions of Eskom, Gencor and Anglo American in South Africa.

Peter O’Connor / Independent Non-Executive Director (appointed 4 February 2013)
Mr O’Connor has over 20 years’ experience in the power sector, working for Eskom, the South African electricity public utility which is the largest producer of electricity in Africa, an importer of electricity from Mozambique and is among the top seven utilities in the world in terms of generation capacity and among the top nine in terms of sales.

Most recently he was Senior General Manager of the Capital Expansion Division, which was responsible for the EPCM of all the company’s generation and transmission expansion projects, as well as the construction of a 1050MW gas power station, which was built in record time. Prior to this, he held senior management positions in the Generation Division, where he successfully increased plant availability from 78% to 93% and at the Transmission Division, where he was responsible for the network delivery, network expansion and system operations. He gained operational experience as the manager of Kriel, Arnot and Kendal power stations. He holds a degree in mechanical engineering and is a patent lawyer.

Estevão Pale / Independent Non-Executive Director
Estevão Pale has more than 30 years' experience in the mining industry. He is the Chief Executive Officer of Companhia Moçambicana de Hidrocarbonetos, S.A., a Mozambican natural gas company, where he negotiates sales agreements for natural gas and condensate as well as dealing with junior and senior lenders of the company. Between 1996 and 2005, he was the National Director of Mines in the Ministry of Mineral Resources and Energy, where he was responsible for the supervision and control of mineral activities in Mozambique and the formulation and implementation of the mining and geological policy approved by the Government of Mozambique.

Mr Pale has been a director of numerous companies in the mining sector including Promaco SARL and the Mining Development Company, as well as the General Director and Chief Executive of Minas Gerais de Moçambique. Mr Pale has a postgraduate diploma in Mining Engineering from the Camborne School of Mines in Cornwall and a Masters degree in Financial Economics from the University of London (SOAS). He completed a course in Gas Business Management in Boston at the Institute of Human Resources Development Corporation in 2006.

Christiaan Schutte / Independent Non-Executive Director (appointed 4 February 2013)
Christiaan Schutte’s career in the power sector spans over 20 years during which time he worked for Eskom, the South African electricity public utility which is the largest producer of electricity in Africa, and held a number of senior management positions.

Most recently he was Senior General Manager of the Group Technology Division and responsible for all the engineering functions at Eskom, including design accountability for new power stations, transmission lines and distribution development. Prior to this he was Senior General Manger of the Generation Division, managing five power stations with over 18,000MW total installed capacity, an operational budget of 3.8 billion Rand and a capital budget just under 4 billion Rand. Operational experience was gained at Majuba power station, which he also integrated into a single cluster operation, and Kendal power station. He holds a degree in mechanical engineering as well as an MBL from Unisa.

Jacek Glowacki Non-Executive Director (appointed 28 October 2013)
Jacek Glowacki has over 30 years of international experience in the power sector and is currently Chief Executive Officer and Chairman of the Board of Polenergia Group, a Polish Independent Power Producer and a subsidiary of Kulczyk Investments S.A., a major shareholder in Ncondezi.

During his career, he has held senior executive positions at Kulczyk Investments, AEI Corporation (USA), Trakya Elektrik (Turkey) and Prisma Energy Europe. Mr Glowacki's operating experience includes General Manager of Nowa Sarzyna, which was owned by ENRON and Chief Production Engineer at Cracow Combined Heat and Power Plant, owned by EDF. He holds a degree in engineering from the University of Mining and Metallurgy in Cracow and an MBA from the University of Chicago.

Directors' Report

The Directors present their Annual Report and the audited group financial statements headed by Ncondezi Energy Limited for the year ended 31 December 2013.

On 29 July 2013 the parent company heading the Group changed its name from Ncondezi Coal Company Limited to Ncondezi Energy Limited.

Principal activities
The principal activity of the Group is the development of an integrated open pit mine and 300MW power plant to produce and supply electricity to the Mozambican domestic market.

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

Principal risks and uncertainties
The Group operates in an uncertain environment that may result in increased risk, cost pressures and schedule delays.

Additionally, the Group's multi-national operations expose it to a variety of financial risks such as market risk, foreign currency exchange rates and interest rates, liquidity risk, and credit risk. These are considered further in note 16.

Key performance indicators
The key performance indicators of the Group are as follows:

	2013	2012	2011
Mine exploration expenditure (US$'000)	2,577	10,565	14,966
Power development expenditure (US$'000)	1,627	-	-
Metres drilled Ncondezi Project	9,723	3,674	39,333
Share price at 31 December (pence)	6.12p	24.00	52.25
Cash at bank at 31 December (US$'000)	6,756	12,008	30,044

Results and dividends
The Directors do not recommend payment of a dividend for the year (2012: Nil). The loss will be transferred to reserves.

Events after the reporting date
See note 21 for further information.

Financial instruments

Details of the use of financial instruments by the Company, its subsidiary undertakings and financial risk management are contained in note 16 of the financial statements.

Directors and Directors' interests

Director	**Appointment date**	**Resignation date**	**Ordinary Shares held 31 December 2013**	Ordinary Shares held 31 December 2012
Michael Haworth			5,936,349	421,678
Jacek Glowacki	28.10.13		-	-
Graham Mascall		14.02.14	504,195	386,130
Peter O'Connor	04.02.13		-	-
Estevão Pale			-	-
Christiaan Schutte	04.02.13		-	-
Richard Stuart		28.10.13	-	-
Nigel Sutherland		14.02.14	32,785	32,785
Colin Harris		04.02.13	-	-
Mark Trevan		14.02.14	-	-
Paul Venter	26.04.13		-	-
Nigel Walls		25.02.13	373,889	373,889

Michael Haworth and Richard Stuart are directors of Strata Limited, which beneficially owns 54,289,641 Ordinary Shares, or 29.9 per cent of the Company's issued shares.

Jacek Glowacki is a director of Polenergia Group, a subsidiary of Kulczyk Investments S.A. which holds 20,754,161 ordinary shares, or 11.4 per cent of the Company's issued shares.

Annual General Meeting
Resolutions will be proposed at the forthcoming Annual General Meeting, as set out in the Formal Notice.

In accordance with the Company's Articles of Association one third of the Directors are required to retire by rotation. Accordingly, Estevão Pale and Michael Haworth will offer themselves for re-election at the forthcoming Annual General Meeting of the Company. The Company's Articles of Association also require any Director appointed to the Board during the financial year to retire and stand for re-election at the annual general meeting following appointment. Accordingly Mr Glowacki will also retire and stand for re-election.

Corporate Governance
The Company's compliance with the principles of corporate governance is explained in the corporate governance statement.

Ordinary Share Capital
The Company's Ordinary Shares of no par value represent 100% of its total share capital. At a meeting of the Company every member present in person or by proxy shall have one vote for every Ordinary Share of which he is the holder. Holders of Ordinary Shares are entitled to receive dividends.

On a winding-up or other return of capital, holders are entitled to share in any surplus assets pro rata to the amount paid up on their Ordinary Shares. The shares are not redeemable at the option of either the Company or the holder. There are no restrictions on the transfer of shares.

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

taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

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

By order of the Board

Elysium Fund Management Limited
Company Secretary
19 May 2014

Risk Factors

Risk(s)	Potential Impact(s)	Mitigation Measure(s)
Use of CFB Technology	CFB technology has not been used in Mozambique as there are currently no coal fired power plants. Although CFB is proven technology, its application in Mozambique is new. Consequences may include not meeting guaranteed numbers in terms of plant output, efficiency and emission limits. Operator & Maintenance issues may arise if the Group is not familiar with this technology. This may have an impact on plant reliability and availability.	Rigorously review the plant performance in the country of origin as well as in other countries where this technology is in use. Visit and discuss with Power Project Sponsors/users identical installation outside Mozambique to benefit from their experience. Actively participate in erection and commissioning activities during project execution. Embed in the EPC contractor's organisation the Group's own personnel during all phases of the project execution. Subject the power plant to rigorous pre-commissioning and commissioning tests as well as performance guarantee tests on completion.
Performance risk	The power plant may be unable to perform as per the EPC proposal, which may lead to a delay	As the power plant project progresses, performance warranties and guarantees will be required from the EPC contractor as part of the EPC contract, including liquidated damages for non-performance. The Minimum Functional Specification will define the operating characteristics, including the net capacity and operational criteria such as start-up response times, dynamic response, and minimum load etc.
Power plant location geotechnical risks	Improper geotech investigation may lead to increase in construction cost	An initial geotechnical study was completed late in H2 2012 on the proposed power plant site. No fatal flaws were identified. Further work will be completed to reaffirm the geotechnical study results ahead of any major construction.
Utilities availability and transportation (water, limestone, coal, accessibility, heavy loads transportation)	The cost of the infrastructure related to plant resources may increase if a proper assessment is not done	Detailed utilities studies and surveys of the area and location to determine logistics associated with the supply of utilities have been completed and confirm there are no major impediments.
Off-taker risk	The Group is unable to secure a credit worthy off-taker for the full output with the plant operating at load factors in excess of 80%	The Group has signed a Heads of Terms Power Purchase Agreement with EdM for the exclusive supply of electricity to EdM. In the event that the Group is unable to agree acceptable terms on the Power Purchase Agreement with EdM, the Group will need to secure a potential credible power off-taker(s) prior to initiating proceedings to raise finance for the Group's proposed power project.
Financial Closure	The Group is unable to procure project financing, leading to failure of the project or a delay.	The Group has appointed a Financial Advisor to assist the Group in ensuring that the project is bankable.
Competition from other power stations in Mozambique	Other power stations are being developed in the Tete region and competing for similar resources such as water and transmission line servitudes.	The Group's power project is currently the only dedicated integrated power plant and mine project in Mozambique, maximising the Group's flexibility to develop the project.

		Being a thermal coal power station project, the Group can implement commissioning of the power plant faster than competing hydroelectric projects which typically take 2-3 years longer to commission.
Mining	Delays in the construction and commissioning of the mining project	As the mine project progresses, performance warranties and guarantees will be required from the mine contractor as part of the mine EPC contract, including liquidated damages for non-performance.
Estimating mineral reserve and resource	The estimation of mineral reserves and mineral resources is a subjective process and the accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions used and judgements made in interpreting engineering and geological information. There is significant uncertainty in any reserve or resource estimate and the actual deposits encountered and the economic viability of mining a deposit may differ materially from the Group's estimates. The exploration of mineral rights is speculative in nature and is frequently unsuccessful. The Group may therefore be unable to successfully discover and/or exploit reserves.	Resources • Sign-off of resources by registered CP • Reporting resources in accordance with the JORC code • Classification of resources into a high level of confidence category • Conduct detailed geological modelling • The utilisation of accredited laboratories for the analyses of coal samples • QA/QC procedures according to best practices Reserves • Sign-off of reserves by registered CP • Classification of reserves into proven or probable reserves • Detailed mine design and scheduling
Coal risk	Coal specification developed at the pre-feasibility study and verified during the feasibility stage may not be representative of coal to be used in the plant. Not properly characterised coal resources may lead to incorrect boiler design and plant underperformance.	Further coal quality analysis will be conducted and supplied to the boiler supplier for finalisation of boiler design.
River water resource risk	The Revúbuè and Ncondezi Rivers are seasonal, should there be insufficient water at the confluence (water extraction point), the power plant operation will fail	Detailed water investigations are being performed to ascertain the quantity of water available to the Ncondezi Project (power plant and mine) and the required extraction rates. Investigations into the possibility of obtaining water from the Zambezi River as a more reliable source of water will be performed, should inadequate quantities be identified from the Revúbuè and Ncondezi Rivers.
Transmission grid constraints	Available transmission capacity is allocated to other power generators.	A Transmission Agreement Heads of Terms has been signed with EdM and the Mozambican Government to ensure that available transmission infrastructure allocation is secured early and that proper evacuation infrastructure and capacities are available to the Power Project in line with the Group’s strategy. Explore and develop all potential future transmission options including new transmission capacity in Mozambique as well as other countries

		including Malawi and Zambia. Currently the Group is ideally positioned to connect to new infrastructure build out, particularly the STE "backbone" transmission project which will connect the cities of Tete and Maputo adding +3,000MW of potential new capacity. The Group has already initiated discussions with both Government and EdM to be included in future allocation for this project, which is targeting commissioning by 2020. In addition, Malawi is looking to secure power from Mozambique and is not currently connected to the Mozambican grid. The Power Project is approximately 90kms from Malawi's main substation.
Environmental and other regulatory requirements	Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Group, the extent of which cannot be predicted. Before exploration and production can commence on any properties, the Group must obtain regulatory approval and there is no assurance that such approvals will be obtained. No assurance can be given that new rules and regulations will not be enacted or existing rules and regulations will not be applied in a manner which could limit or curtail the Group's operations.	The Group adopts standards of international best practice in environmental management and community engagement in addition to focussing on satisfying Mozambican environmental regulations and requirements in all stages of development. Environmental Management and Social Development Plans have been advanced and are being implemented to satisfy national and international best practice. The Mine and Power Plant Environmental Social Impact Assessment have been conducted by independent, internationally recognised consultants and approved by the Mozambican Government. An ESIA for the Power Evacuation line is currently proceeding and is anticipated to be submitted to MICOA for approval in H2 2014. An ESIA for water supply and retention is envisaged to commence in early 2014. Tenders have been received to conduct an ESIA process to meet national and international requirements.
Landmines	Existence of landmines in the Tete region and specifically in the project area, which may lead to safety issues such as fatalities and injury	A comprehensive demining exercise has cleared the project site of any landmine risks. However, additional work will be required around the areas of the power evacuation route once this route has been confirmed.
Foreign Country risk	The Group's exploration licences and project are in Mozambique. The Group faces political risk whereby changes in government policy or a change of governing political party could place its exploration licences and project in jeopardy.	The Mozambique government has been stable for many years and fosters a beneficial climate towards companies exploring for resources. It is not anticipated that this situation is likely to change.
Financing risk	The development of the Group's properties will depend upon the Group's ability to obtain financing primarily through the raising of new equity capital, but also by means of joint venture of projects, debt financing, farm outs or other means. There is no assurance that the Group will be successful in obtaining the required financing. If the Group is unable to obtain additional financing as needed some interests may be relinquished and/or the scope of the operations reduced.	The Directors' will monitor the monthly cash burn rate to ensure the Group operates within its cash resources.

Corporate Governance Statement

The Company, which is listed on AIM, is not formally required to comply with the UK Corporate Governance Code (the "UK Corporate Governance Code"), which applies to companies which are fully listed on the London Stock Exchange. However, the Board has given consideration to the provisions set out in Section 1 of the UK Corporate Governance Code. The Directors support the objectives of this code and intend to comply with those aspects which they consider relevant to the Group's size and circumstances.

Details of the key areas relating to the UK Corporate Governance Code are set out below. A statement of the Directors' responsibilities in respect of the financial statements is set out below. Below is a brief description of the role of the Board and its committees, including a statement regarding the Group's system of internal financial control.

The workings of the Board and its committees

The Board of Directors
The Board currently comprises a Non-Executive Chairman, (Michael Haworth), one Executive Director (Paul Venter) and four further Non-Executive Directors (Jacek Glowacki, Peter O'Connor, Estevão Pale and Christiaan Schutte).

The Board considers that, Peter O'Connor, Estevão Pale and Christiaan Schutte are independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement.

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

The Company has established properly constituted audit and remuneration committees of the Board with formally delegated duties and responsibilities.

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

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

A Relationship Agreement was executed on 3 June 2010 between the Company and Strata Limited ("Strata") in order to manage *inter alia* potential conflicts of interest in respect of Directors nominated by Strata. Under the terms of this agreement Strata, has the right to nominate up to one Director to the Board of the Company, and has nominated Michael Haworth.

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

Ethical standards
The Board has not adopted a formal code of conduct however as part of the Board's commitment to the highest standard of conduct, the Board will consider adopting a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct will cover such matters as:

- responsibilities to shareholders
- compliance with laws and regulations
- relations with customers and suppliers
- ethical responsibilities
- employment practices
- responsibility to the environment and the community.

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

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

Board meetings
Board meetings are held on average every quarter. Decisions concerning the direction and control of the business are made by the Board.

Generally, the powers and obligations of the Board are governed by the Company's Memorandum and Articles and the BVI Business Companies Act 2004, as amended and the other laws of the jurisdictions in which it operates. The Board is responsible, inter alia, for setting and monitoring Group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the shareholders.

The Audit Committee
The Audit Committee comprises Peter O'Connor (Committee Chairman) and Michael Haworth.

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

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual and half year results, financial statements and accompanying reports before their submission to the Board and monitoring the controls which ensure the integrity of the financial information reported to the shareholders.

The Remuneration Committee
The Remuneration Committee comprises Christiaan Schutte (Committee Chairman) and Michael Haworth during the year.

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

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

The Directors are conscious of the need to keep effective internal financial control, particularly in view of the cash resources of the Group. Due to the relatively small size of the Group's operations, the Executive Director and senior management are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are still appropriate to the nature and scale of the operations of the Group.

Continuous disclosure and shareholder communication

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

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

Managing business risk

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

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

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

Report of the Remuneration Committee

The Remuneration Committee (the 'Committee') comprises Christiaan Schutte (Committee Chairman) and Michael Haworth.

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

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

Long term incentive plan ("LTIP") and unapproved share option scheme

The Company adopted a LTIP and unapproved share option scheme which are administered by the Committee. These are discretionary and the Committee will decide whether to make share awards under the LTIP or unapproved share option scheme at any time. During the year it was 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, of this 325,000 related to Directors. As at 31 December 2013 the following awards remained in place:

Director	Date of grant	Number granted	Exercise price	Date exercisable from
Paul Venter	19 June 2012	500,000	30.5p	19 June 2013
Paul Venter	26 April 2013	1,000,000	17.25p	26 April 2013
Graham Mascall	27 May 2010	2,400,000	Nil	27 May 2010
Graham Mascall	27 May 2010	800,000	25c	27 May 2010
Nigel Walls	27 May 2010	400,000	Nil	25 February 2013
Nigel Walls	10 June 2010	1,200,000	Nil	25 February 2013
Nigel Walls	19 January 2012	225,000	59p	19 January 2013

Non-Executives	Date of grant	Number granted	Exercise price	Expiry
Mark Trevan	26 April 2013	75,000	17.25p	3 years from vesting
Nigel Sutherland	26 April 2013	75,000	17.25p	3 years from vesting
Estevao Pale	26 April 2013	75,000	17.25p	3 years from vesting
Peter O'Connor	26 April 2013	75,000	17.25p	3 years from vesting
Christiaan Schutte	26 April 2013	75,000	17.25p	3 years from vesting

Grant of Share Awards
On 26 April 2013, 4,300,000 share options, with an exercise price of 17.25p and exercisable within three years of vesting, were granted to 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"). Simultaneously it was 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 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.

Directors' Options
Paul Venter was granted 450,000 share options which are Milestone Based Awards and 550,000 share options which are Time Based Awards.

375,000 share options have been granted to certain Directors (see table above). Messrs Michael Haworth (Chairman), Richard Stuart (Non-Executive Director) who resigned on 28 October 2013 and Graham Mascall (Non-Executive Director) who resigned on 14 February 2014 have all waived any new share option awards.

These share options vest in two equal tranches on the first and second anniversary from the date of grant.

Grant of Share Awards
On 31 January 2014, 5,700,000 share options were issued to the Company's executive senior management team and contracted personnel. Of the total share options granted, 3,375,000 options have been awarded in lieu of an annual bonus payment for 2013 and vest on the date of grant; 2,250,000 with a zero strike price and 1,125,000 at an exercise price of 6.5p per share. The remaining 2,325,000 options will vest, subject to achieving Financial Close of the Company's 300MW Power Plant Project, at an exercise price of 6.5p per share.

Directors' Options
On 31 January 2014, Paul Venter was granted 1,125,000 share options that vest on the date of grant at a zero exercise price. In addition Mr Venter was granted share options in respect of a further 1,125,000 shares that vest subject to Financial Close at an exercise price of 6.5p per share.

Following the above restructuring of the Company's share incentive scheme, the newly issued and unexercised share awards will jointly represent 8.71% of the Company's current issued share capital.

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

Non-Executive Directors' fees
The Company has adopted a standard level of fees for Non-Executive directors of £40,000 per annum, and £70,000 for the Chairman. The current Chairman has waived all fees.

Directors' remuneration
The following table sets out an analysis of the pre-tax remuneration for the year ended 31 December 2013 for individual directors who held office in the Company during the period.

Director	Note	Base Salary/fee US$'000	Benefits US$'000	Bonus* US$'000	Share based payments US$'000	Total 2013 US$'000	Total 2012 US$'000
Michael Haworth		-	-	-	-	**-**	-
Jacek Glowacki		12	-	-	-	**12**	-
Colin Harris	2	5	-	-	3	**8**	76
Graham Mascall	3	62	-	-	-	**62**	275
Peter O'Connor		58	-	-	3	**61**	-
Estevão Pale		62	-	-	6	**68**	75
Christiaan Schutte		57	-	-	3	**60**	-
Nigel Sutherland	1	62	-	-	6	**68**	75
Mark Trevan	3	62	-	-	6	**68**	76
Richard Stuart	4	-	-	-	4	**4**	62
Paul Venter		326	19	121	94	**560**	234
Nigel Walls	5	280	3	-	35	**318**	625
		986	22	121	160	1,289	1,498

1. This includes US$5,389 (2012: US$63,214) paid to Mines Value Management for services provided by Nigel Sutherland. Resigned 14 February 2014
2. Resigned 4 February 2013
3. Resigned 14 February 2014
4. Resigned 28 October 2013
5. Resigned 25 February 2013

*settled with 1,125,000 share options issued on 30 January 2014 (note 14)

On behalf of the Remuneration Committee

Christiaan Schutte
Remuneration Committee Chairman

19 May 2014

Statement of Directors' responsibilities

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

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

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

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

In virtually all circumstances a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

A fair presentation also requires the Directors to:

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

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

Independent audit report to the member of Ncondezi Energy Limited

Report on financial statements
We have audited the financial statements of Ncondezi Energy Limited (formerly Ncondezi Coal Company Limited) for the year ended 31 December 2013 which comprise the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and 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 Directors, as a body in accordance with our engagement letter dated 22 January 2014. Our audit work has been undertaken so that we might state to the Company's Directors 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 Directors 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 and its financial position as at 31 December 2013 and of its financial performance and its cash flows 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

We read the other information contained in annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Directors' report. 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

19 May 2014

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

Consolidated statement of profit or loss

for the year ended 31 December 2013

	Note	**2013** **US$'000**	2012 US$'000
Other administrative expenses	3	**(6,368)**	(7,398)
Research expenses	3	**-**	97
Share-based payments charge	3	**(673)**	(1,292)
Total administrative expenses and loss from operations		**(7,041)**	(8,593)
Finance income		**38**	88
Finance expense		**(42)**	(45)
Loss for the year before taxation		**(7,045)**	(8,550)
Taxation	4	**(65)**	(55)
Loss for the year attributable to equity holders of the parent company		**(7,110)**	(8,605)
Loss per share expressed in cents			
Basic and diluted	5	**(5.8)**	(7.1)

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2013

	2013 **US$'000**	2012 US$'000
Loss after taxation	**(7,110)**	(8,605)
Other comprehensive income:		
Exchange differences on translating foreign operations*	**20**	20
Total comprehensive loss for the year	**(7,090)**	(8,585)

*items that may be reclassified to profit or loss

Consolidated statement of financial position
as at 31 December 2013

	Note	**2013 US$'000**	2012 US$'000
Assets			
Non-current assets			
Intangible assets	6	**16**	39,081
Property, plant and equipment	7	**45,154**	2,328
Restricted cash deposits		**429**	-
Total non-current assets		**45,599**	41,409
Current assets			
Inventory		**29**	26
Trade and other receivables	9	**2,324**	3,030
Cash and cash equivalents	10	**6,756**	12,008
Total current assets		**9,109**	15,064
Total assets		**54,708**	56,473
Liabilities			
Current liabilities			
Current tax payable		**68**	56
Trade and other payables	11	**2,684**	2,631
Total current liabilities		**2,752**	2,687
Total liabilities		**2,752**	2,687
Capital and reserves attributable to shareholders			
Share capital	12	**80,695**	76,108
Foreign currency translation reserve		**64**	44
Retained earnings		**(28,803)**	(22,366)
Total capital and reserves		**51,956**	53,786
Total equity and liabilities		**54,708**	56,473

The financial statements were approved and authorised for issue by the Board of Directors on 19 May 2014 and were signed on its behalf by:

Paul Venter

Chief Executive Officer

Consolidated statement of changes in equity

for the year ended 31 December 2013

	Share capital US$'000	Foreign Currency Translation reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2013	**76,108**	**44**	**(22,366)**	**53,786**
Loss for the year	**-**	**-**	**(7,110)**	**(7,110)**
Other comprehensive income for the year	**-**	**20**	**-**	**20**
Total comprehensive loss for the year	**76,108**	**64**	**(29,476)**	**46,696**
Issue of shares	**4,951**	**-**	**-**	**4,951**
Costs associated with issue of shares	**(364)**	**-**	**-**	**(364)**
Equity settled share-based payments	**-**	**-**	**673**	**673**
At 31 December 2013	**80,695**	**64**	**(28,803)**	**51,956**

	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 year	-	-	(8,605)	(8,605)
Other comprehensive income for the year	-	20	-	20
Total comprehensive loss for the year	76,108	44	(23,658)	52,494
Equity settled share-based payments	-	-	1,292	1,292
At 31 December 2012	76,108	44	(22,366)	53,786

Cons

olidated statement of cash flows

for the year ended 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Cash flow from operating activities			
Loss before taxation		**(7,045)**	(8,550)
Adjustments for:			
Finance income		**(38)**	(88)
Finance expense		**42**	45
Share-based payments charge	3	**673**	1,292
Unrealised foreign exchange movements		**19**	15
Disposal of property plant and equipment		**45**	7
Depreciation and amortisation		**396**	427
Net cash flow from operating activities before changes in working capital		**(5,908)**	(6,852)
Increase in inventory		**(3)**	(26)
(Decrease)/increase in payables		**53**	(1,636)
Decrease/(increase) in receivables		**706**	(51)
Net cash flow from operating activities before tax		**(5,152)**	(8,565)
Income taxes paid		**(53)**	(80)
Net cash flow from operating activities after tax		**(5,205)**	(8,645)
Investing activities			
Payments for property, plant and equipment	7	**(1)**	(118)
Sale proceeds from disposal of property, plant and equipment		**4**	-
Interest received		**38**	88
Transfer to restricted cash		**(429)**	-
Power development costs capitalised		**(1,627)**	-
Mine exploration and evaluation costs capitalised	6	**(2,577)**	(9,716)
Net cash flow from investing activities		**(4,592)**	(9,746)
Financing activities			
Issue of ordinary shares		**4,951**	-
Bank charges		**(42)**	(45)
Cost of share issue		**(364)**	-
Net cash flow from financing activities		**4,545**	(45)
Net decrease in cash and cash equivalents in the period		**(5,252)**	(18,436)
Cash and cash equivalents at the beginning of the period		**12,008**	30,444
Cash and cash equivalents at the end of the period		**6,756**	12,008

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 Ncondezi Project.

The Group has sufficient funds to complete the PPA, Power Concession, Co-developer and EPC work streams, which are targeted for Q2 2014. These are key work streams that will materially advance the development of the Ncondezi Project.

The Directors are in negotiations with a number of parties in respect of raising further funds to continue with the development programme for the Ncondezi Project. If a transaction with a potential Co-developer is concluded as currently targeted in 2014 the Group will have sufficient funds to continue with a full development programme for the Ncondezi Project. 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. In the event that further funding is not secured the Group will implement its cost reduction strategy to ensure that it has sufficient funds to continue its activities on a reduced basis through to the end of H1 2015.

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 development programme for the Ncondezi Project 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.

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.

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 2013 the Group's cash and cash equivalent stood at US$6.8m. 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 judgments, 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

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

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

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

Adoption of new and revised accounting standards
In 2013, several amended standards and interpretations became effective. 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):

	Standard	Effective date
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interest in other entities	1 January 2014
IAS 27 (Amendment 2011)	Separate financial statements	1 January 2014
IAS 28 (Amendment 2011)	Investments in associates and joint ventures	1 January 2014
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendment)	Recoverable amounts disclosures for non-financial assets	1 January 2014
IAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 9	Financial Instruments	To be confirmed
IAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions	1 January 2014*
IFRIC 21	Interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets on the accounting for levies imposed by governments.	1 January 2014*
Annual Improvements to IFRSs	2010-2012 Cycle	1 January 2014*
Annual Improvements to IFRSs	2011-2013 Cycle	1 January 2014*

The Group is yet to assess the full impact of adoption of IFRS 9 and intends to adopt the standard when it has been endorsed 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 statement of profit or loss 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.

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

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

Property, plant and equipment

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

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

Plant and equipment	25%
Other	20%-33%
Buildings	10%

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

Power project costs

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

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

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

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

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

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

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

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the 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 profit or loss on a straight-line basis over the lease term.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are 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 and other 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, evaluation and mining assets
In accordance with the accounting policy stated above, the Group tests exploration, evaluation and mining for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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) Capitalisation of power project expenditure
The power plant costs are capitalised when it is probable that future economic benefits will flow to the Group. When determining the probability of the success of the power plant project Management have considered key milestones, risks and de-risking events and determined that it is more likely than not that the power plant will be developed.

The final outcome of the power plant development is dependent on a number of technical, financial and political factors; however Management assess these factors to have been suitably mitigated and de-risked.

(iii) Impairment of Power project assets
In accordance with the accounting policy stated above, the Group tests annually to see whether power project assets have suffered impairment.

The recoverability of the amounts shown in the consolidated statement of financial position in relation to power project assets are dependent upon the successful completion of a power purchase off take agreement, the political, economic and legislative stability of the region in which the plant is to operate, the

Group's ability to obtain the necessary financing to fulfil its obligations as they arise and the future profitable electricity production or proceeds from the disposal of properties.

(iv) Fair value of share-based payments

The Group determines the fair value of 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.

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

	2013 US$'000	2012 US$'000
Staff costs	**2,806**	2,712
Professional and consultancy	**1,168**	1,296
Office expenses	**717**	934
Travel and accommodation	**457**	682
Other expenses	**991**	1,455
Foreign exchange loss	**229**	319
Other administrative expenses	**6,368**	7,398
Research expenses*	**-**	(97)
Share-based payments	**673**	1,292
Total administrative expenses	**7,041**	8,593

* 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 2012 is a result of an over accrual in respect of the infrastructure study.

Auditors' remuneration

	2013 US$'000	2012 US$'000
Group auditors' remuneration		
- audit of the Group's accounts	**68**	80
- audit of the Group's subsidiaries	**30**	40
Other services		
- other services relating to taxation	**-**	-
	98	120

Staff costs (including Directors)

	2013 US$'000	2012 US$'000
Wages and salaries	**2,767**	3,794
Share based payments	**673**	1,292
Social security costs	**190**	226
	3,630	5,312

US$151,240 (2012: US$1,308,247) 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:

	2013 Number	2012 Number
Operational	**22**	24
Administration	**24**	24
	46	48

Key management compensation:

	2013 US$'000	2012 US$'000
Salary	**1,464**	1,503
Fees	**-**	139
Social security costs	**136**	157
	1,600	1,799
Benefits	**33**	52
Share based payments	**648**	920
	2,281	2,771

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% (2012: 32%) on its profits in Mozambique and Ncondezi Services (UK) Limited which is subject to tax at a rate of 23.25% (2012: 24.5%) 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 2013 has been estimated at US$65,028 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:

	2013 US$'000	2012 US$'000
Current tax – UK corporation tax	**65**	55
Group loss on ordinary activities before tax	**(7,045)**	(8,550)
Effects of:		
Reconcile to UK corporation tax rate of 23.25% (2012: 24.5%)	**(1,638)**	(2,095)
Differences arising from different tax jurisdictions	**1,023**	1,136
Non deductible expenses	**217**	131
Foreign exchange effect originating in overseas companies	**(124)**	243
Unrecognised taxable losses carried forward	**587**	640
Total tax charge for the year	**65**	55

During the exploration and development stages, the Group will accumulate tax losses which may be carried forward. As at 31 December 2013, no deferred tax asset has been recognised for tax losses of US$2,029,649 (2012: USD$1,442,000) 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$ 587,000 will be available until 31 December 2018, 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 year a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share. There were 5,400,000 (2012: 2,387,500) 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 (2012: Nil).

	2013			2012		
	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	**(7,110)**	**122,447**	**(5.8)**	(8,605)	121,116	(7.1)

6. Intangible assets

	Mine 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
Foreign exchange	-	5	5
At 31 December 2012	39,024	154	39,178
At 1 January 2013	**39,024**	**154**	**39,178**
Additions	**2,577**	**-**	**2,577**
Transfer to property, plant and equipment (note 7)	**(41,601)**	**-**	**(41,601)**
Foreign exchange	**-**	**5**	**5**
At 31 December 2013	**-**	**159**	**159**
Amortisation			
At 1 January 2012	-	45	45
Amortisation charge	-	52	52
At 31 December 2012	-	97	97
At 1 January 2013	**-**	**97**	**97**
Amortisation charge	**-**	**42**	**42**
Foreign exchange	**-**	**4**	**4**
At 31 December 2013	**-**	**143**	**143**
Net Book value 2013	**-**	**16**	**16**
Net Book value 2012	39,024	57	39,081
Net book value 2011	28,459	104	28,563

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

In December 2012 the Group completed a feasibility study of Ncondezi Mining project and following the grant of mine concession on 28 August 2013 the related exploration and evaluation costs have been transferred to property, plant and equipment. On transfer an impairment review was completed and no impairment has been made.

7. Property, plant and equipment

	Power assets US$'000	Mining assets US$'000	Buildings US$'000	Plant and equipment US$'000	Other US$'000	Total US$'000
Cost						
At 1 January 2012	**-**	**-**	**1,757**	**489**	**710**	**2,956**
Additions	-	-	-	37	81	118
Disposals	-	-	-	(13)	(2)	(15)
At 1 January 2013	**-**	**-**	**1,757**	**513**	**789**	**3,059**
Additions	1,627	-	-	1	-	1,628
Transfer from intangible assets (note 6)	-	41,601	-	-	-	41,601
Disposals	-	-	(21)	-	(67)	(88)
At 31 December 2013	**1,627**	**41,601**	**1,736**	**514**	**722**	**46,200**
Depreciation						
At 1 January 2012	**-**	**-**	**59**	**82**	**223**	**364**
Depreciation charge	-	-	75	85	215	375
Disposals	-	-	-	(6)	(2)	(8)
At 1 January 2013	**-**	**-**	**134**	**161**	**436**	**731**
Depreciation charge	-	-	80	71	203	354
Disposals	-	-	(4)	-	(35)	(39)
At 31 December 2013	**-**	**-**	**210**	**232**	**604**	**1,046**
Net Book value 2013	**1,627**	**41,601**	**1,526**	**282**	**118**	**45,154**
Net Book value 2012	-	-	1,623	352	353	2,328
Net book value 2011	-	-	1,698	407	487	2,592

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.

Power assets relate to the development of a 300MW power plant.

8. Subsidiaries

The Group has the following subsidiary undertakings:

		% interest 2013	% interest 2012	Country of incorporation	Activity
Zambezi Energy Corporation Holdings 1 Limited	'ZECH1'	100	100	Mauritius	Holding company
Zambezi Energy Corporation Holdings 2 Limited	'ZECH2'	100	100	Mauritius	Holding company
Ncondezi Coal Company Mozambique Limitada	'NCCML'	100	100	Mozambique	Mining exploration
Ncondezi Services (UK) Limited	'NSUL'	100	100	UK	Service Company
Ncondezi Power Holdings Limited	'NPHL'	100	-	Mauritius	Holding company
Ncondezi Power Mozambique Limitada	'NPML'	100	-	Mozambique	Energy company

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

Ncondezi Power Mozambique Limitada is owned by Zambezi Energy Corporation Holdings 2 Limited and Ncondezi Power Holdings Limited.

9. Trade and other receivables

	2013 US$'000	2012 US$'000
Current assets:		
Other receivables	**2,324**	3,030
Total trade and other receivables	**2,324**	3,030

Included within other receivables is US$2,099,828 (2012: US$2,682,067) in respect of VAT recoverable in Mozambique, of this US$1.4m was received in March 2014.

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

10. Cash and cash equivalents

	2013 US$'000	2012 US$'000
Cash at bank and in hand	**6,756**	12,008
	6,756	12,008

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

	2013 US$'000	2012 US$'000
US Dollars	**560**	9,170
Great British Pounds	**5,212**	1,131
South African Rand	**332**	1,651
Mozambique Meticais	**652**	56
	6,756	12,008

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

11. Trade and other payables

	2013 US$'000	2012 US$'000
Other payables	**631**	1,057
Other taxation and social security	**49**	93
Accruals	**2,004**	1,481
	2,684	2,631

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

12. Share capital

Number of shares	**2013**	2012
Allotted, called up and fully paid		
Ordinary shares of no par value	**181,673,522**	121,115,682

	Shares issued Number	Share capital US$'000
At 1 January 2013	**121,115,682**	76,108
Issue of shares	60,557,840	4,951
Issue costs		(364)
At 31 December 2013	181,673,522	80,695

	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

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
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 and unapproved share option scheme

Exercise price per share	Grant date	Outstanding at start of year	Granted during the year	Lapsed/ cancelled during the year	Outstanding at year end	Final exercise date
2012						
Nil	27.05.10	2,800,000	-	-	2,800,000	26.05.20
25c	27.05.10	800,000	-	-	800,000	26.05.20
Nil	10.06.10	2,000,000	-	-	2,000,000	09.06.20
123p (179.58c)	11.06.10	250,000	-	-	250,000	10.06.20
123p (179.58c)	15.06.10	150,000	-	-	150,000	14.06.20
130.5p (201.08c)	30.12.10	600,000	-	-	600,000	29.12.20
143p (220.34c)	30.12.10	100,000	-	-	100,000	29.12.20
59p (90.67c)	19.01.12	-	1,487,500	-	1,487,500	18.01.22
30.5p (47.83c)	19.06.12	-	500,000	-	500,000	18.06.22
Total		6,700,000	1,987,500	-	8,687,500	
WAEP (cents)		35.00	79.89	0.00	45.27	

Exercise price per share	Grant date	Outstanding at start of year	Granted during the year	Lapsed/ cancelled during the year	Outstanding at year end	Final exercise date
2013						
Nil	27.05.10	2,800,000	-	-	2,800,000	26.05.20
25c	27.05.10	800,000	-	-	800,000	26.05.20
Nil	10.06.10	2,000,000	-	(800,000)	1,200,000	09.06.20
123p (179.58c)	11.06.10	250,000	-	(250,000)	-	10.06.20
123p (179.58c)	15.06.10	150,000	-	(150,000)	-	14.06.20
130.5p (201.08c)	30.12.10	600,000	-	(600,000)	-	29.12.20
143p (220.34c)	30.12.10	100,000	-	(100,000)	-	29.12.20
59p (90.67c)	19.01.12	1,487,500	-	(1,262,500)	225,000	25.08.15
30.5p (47.83c)	19.06.12	500,000	-	-	500,000	18.06.22
17.25p (26.32c)	26.04.13	-	4,675,000	(75,000)	4,600,000	25,04,23
Total		**8,687,500**	**4,675,000**	**(3,237,500)**	**10,125,000**	

WAEP (cents)	45.27	26.32	102.23	18.31

The Company's mid-market closing share price at 31 December 2013 was 6.12p (31 December 2012: 24p). The highest and lowest mid-market closing share prices during the year were 24.25p (2012: 66.50p) and 5.75p (2012: 19.13p) respectively.

During the year 3,087,500 share awards were cancelled and 75,000 options lapsed.

The fair value of the 10,200,000 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:

Grant datet date	Note	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
19.06.12		47.83c	47.83c	50%	5 years	0.7%	20.76c
26.04.13	1	26.32c	26.32c	37.65%	3-5 years	0.7%	8.10c
26.04.13	1	26.32c	26.32c	37.65%	3-5 years	0.7%	8.09c
26.04.13	1	26.32c	26.32c	37.65%	3-5 years	0.7%	8.08c
26.04.13	1	26.32c	26.32c	37.65%	3-5 years	0.7%	7.87c
26.04.13	1	26.32c	26.32c	37.65%	3-5 years	0.7%	8.23c
26.04.13		26.32c	26.32c	37.65%	4-5 years	0.7%	8.50c

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, and the volatility of 37.65% was calculated using the Company's own share price over 90 days.

Based on the above fair values, the expense arising from equity-settled share options made to employees and Directors was US$673,222 for the year (2012: US$1,292,271). This includes US$91,515 relating to the fair value of cancelled share options.

15. Segmental analysis

The Group has two reportable segments:

- Mine project - this segment is involved in the exploration for coal and development of coal mine within the Group's licence areas in Mozambique
- Power project – this segment relates to the development of a 300MW integrated power plant next to the Group's coal mine concession areas in Mozambique
- Corporate - this comprises head office operations and the provision of services to Group companies

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and are based on differences in products from which each reportable segment will derive its future revenues. The chief operating decision-maker has been identified as the Board of Directors.

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

The segment results for the year ended 31 December 2013 are as follows:

Income statement	**Power project US$'000**	**Mine project US$'000**	**Corporate US$'000**	**Group US$'000**
For the year ended 31 December 2013				
Segment result before and after allocation of central costs	**(62)**	**(2,265)**	**(4,714)**	**(7,041)**
Finance expense	**(5)**	**(16)**	**(21)**	**(42)**
Finance income	**2**	**-**	**36**	**38**
Loss before taxation	**(65)**	**(2,281)**	**(4,699)**	**(7,045)**
Taxation	**-**	**-**	**(65)**	**(65)**
Loss for the year	**(65)**	**(2,281)**	**(4,764)**	**(7,110)**

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

Income statement	Power project US$'000	Mine project US$'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)

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

Income statement	**Power project US$'000**	**Mine project US$'000**	**Corporate US$'000**	**Group US$'000**
For the year ended 31 December 2013				
Depreciation charged to the income statement	**-**	**(347)**	**(49)**	**(396)**
Share based payments	**-**	**-**	**(673)**	**(673)**
Income tax expense	**-**	**-**	**(65)**	**(65)**

Income statement	Power project US$'000	Mine project US$'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)

The segment assets and liabilities at 31 December 2013 and capital expenditure for the year then ended are as follows:

Statement of financial position	**Power project US$'000**	**Mine project US$'000**	**Corporate US$'000**	**Group US$'000**
At 31 December 2013				
Segment assets	**1,627**	**43,443**	**9,638**	**54,708**
Segment liabilities	**(770)**	**(590)**	**(1,392)**	**(2,752)**
Segment net assets	**857**	**42,853**	**8,246**	**51,956**
Property plant and equipment capital expenditure	**-**	**1**	**-**	**1**
Exploration capital expenditure	**1,627**	**2,577**	**-**	**4,204**

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

Statement of financial position	Power project US$'000	Mine project US$'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	14,915	53,786
Property plant and equipment capital expenditure	-	116	2	118
Exploration capital expenditure	-	10,565	-	10,565

16. 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:

	2013 US$'000	2012 US$'000
Loans and receivables at amortised cost		
Trade and other receivables	**224**	348
Cash and cash equivalents	**6,756**	12,008
Financial liabilities held at amortised cost		
Trade and other payables	**2,635**	2,538

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.

The Group holds a restricted cash deposit in respect of a rent deposit, with a London based bank.

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

2013	**Total**	**on demand**	**in 1 month**	**Between 1 and 6 months**	**Between 6 and 12 months**	**Between 1 and 3 years**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Trade and other payables	**2,635**	**-**	**2,635**	**-**	**-**	**-**

2012	**Total**	**on demand**	**in 1 month**	**Between 1 and 6 months**	**Between 6 and 12 months**	**Between 1 and 3 years**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Trade and other payables	2,538	-	2,538	-	-	-

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 2013 (2012: Nil).

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

Currency risk
The Group is exposed to currency risk through its activities 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$343,766 (2012: US$198,614).

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

	2013					2012				
	US$'000 Assets/(liabilities) held					US$'000 Assets/(liabilities) held				
	USD	**GBP**	**ZAR**	**MZN**	**Total**	USD	GBP	ZAR	MZN	Total
US dollars	**(1,765)**	**5,414**	**332**	**364**	**4,345**	8,388	813	393	224	9,818
	(1,765)	**5,414**	**332**	**364**	**4,345**	8,388	813	393	224	9,818

17. 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.

18. 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 2013 and 31 December 2012 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 Capital UK LLP
Strata Capital UK LLP charged the Company US$116,332 (2012: US$116,650) in respect of legal services.

MMDN Financial Services LLP ("MMDN")
During the year MMDN a firm which Manish Kotecha is a partner charged the Company US$4,505 (2012: US$4,975) in respect of financial services. The balance outstanding at 31 December 2013 was US$375 (2012: US$380).

Mines Value Management
During the year US$62,280 (2012: US$63,213) was paid to Mines Value Management in respect of services provided by Nigel Sutherland. There was no balance outstanding at 31 December 2013.

Greenstone Resources
The Company re-charged to Greenstone Resources US$145,246 (2012: Nil) in respect of shared office expenses. There was no balance outstanding at 31 December 2013.

Zanaga Iron Ore
The Company re-charged to Zanaga Iron Ore a company of which Michael Haworth is a Non-Executive Director US$230,082 (2012: US$349,992) in respect of shared office expenses. There was no outstanding balance at 31 December 2013.

Polenergia International
Polenergia International a company of which Jacek Glowacki is a Director charged the Company US$51,000 (2012: Nil) in respect of consulting services. There was no outstanding balance at 31 December 2013.

Christiaan Schutte
During the year Christiaan Schutte charged the Company US$10,810 (2012: US$Nil) in respect of consulting services. There was no balance outstanding at 31 December 2013.

19. Lease commitments

Operating lease commitments – minimum lease payments

Ncondezi Services (UK) Limited administration office
In November 2011 the Group entered into a 3 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 2013 are as follows:

	2013 US$'000	2012 US$'000
Within one year	**350**	350
After one year but not more than five years	**-**	350
Minimum lease payments	**350**	700

20. Commitments

Social development programme
In December 2012 a Memorandum of Understanding was signed with the Ministry of Mineral Resources in respect of a 3 year Social Development Programme, with a committed spend of US$2m. During the year US$352,000 (2012: US$340,000) was spent as part of this programme.

In addition, upon receiving the mining concession a further US$5m was committed. The expenditure programme is still to be negotiated with the Ministry of Mineral Resources.

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

Project finance fees
In September 2013 an engagement letter with KPMG was signed in respect of financial advisory services. A fee of US$750,000 will become payable when an executed PPA is achieved.

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

21. Events after the reporting date

On 31 January 2014, 5,700,000 share options were issued to the Company's executive senior management team and contracted personnel. Of the total share options granted, 3,375,000 options have been awarded in lieu of an annual bonus payment for 2013 and vest on the date of grant; 2,250,000 with a zero strike price and 1,125,000 at an exercise price of 6.5p per share. The remaining 2,325,000 options will vest, subject to achieving financial close of the Company's Ncondezi Project, at an exercise price of 6.5p per share.

Company Information

Directors	Michael Haworth (Non-Executive Chairman) Paul Venter (Chief Executive Officer) Christiaan Schutte (Non-Executive Director) Peter O'Connor (Non-Executive Director) Estevão Pale (Non-Executive Director) Jacek Glowacki (Non-Executive Director)
Company Secretary	Elysium Fund Management Limited PO Box 650, 1st Floor, Royal Chambers St Julian's Avenue St Peter Port Guernsey, GY1 3JX
Registered Office	2nd Floor Wickham's Cay II PO Box 2221 Road Town Tortola British Virgin Islands
Company number	1019077
Nominated Advisor and Joint Broker	Liberum Capital Limited Ropemaker Place Level 12 25 Ropemaker Street London, EC2Y 9AR
Joint Broker	finnCap 60 New Broad Street London, EC2M 1JJ
Auditors	BDO LLP 55 Baker Street London, W1U 7EU
Registrar	Computershare Investor Services (BVI) Limited Woodbourne Hall PO Box 3162 Road Town Tortola British Virgin Islands
Legal advisor to the Company as to BVI law	Ogier LLP 41 Lothbury London, EC2R 7HF
Legal advisor to the Company as to English law	Berwin Leighton Paisner LLP Adelaide House London Bridge London, EC4R 9HA