

No longer just Shanghai or Bust

Key Statistics: Priced 30 May 9am

Code	NCCL
Listing	AIM
Sector	Mining
Market Cap	£4.38m
Share in issue	250.30m
Current Price	1.75p
12 mnth High/Low	1.75/9.88p

Stock Performance



Source: Fidessa

Financials y/e Dec

US\$'000	2015	2014
Loss	-2,117	-37,701
Cash	402	4,515
Net assets	18,208	19216

Source: Company Results

Company Description

Ncondezi Energy Limited (Ncondezi) is a power development company with an integrated thermal coal mine and power plant project located near Tete in northern Mozambique (the Ncondezi Coal Mine and Power Project, respectively). The Company operates through three segments: Mine project, which is involved in the exploration for coal and development of coal mine within the Company's license areas in Mozambique; Power project, which relates to the development of approximately 300 megawatts (MW) integrated power plant next to the Company's coal mine concession areas in Mozambique, and Corporate.

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Ncondezi Energy is focused on the phased development of its large scale, long life, integrated thermal coal mine and up to 1,800MW power plant project in Mozambique. Originally an export coking coal play, Ncondezi has invested significant resources in scoping the nearby 4.8bn tonne JORC compliant coal project. The mine is anticipated as being the sole supplier to the power plant. The shares are down nearly 80% over 3 months on the back of delays on closing a deal with Shanghai Electric Power (SEP). Nearly a year and a half after signing the Joint Development Agreement, Ncondezi last week announced that it had suspended exclusive discussions with SEP and will now engage with additional strategic partners who have expressed an unsolicited interest in developing the project alongside Ncondezi.

- Time is of the essence for Ncondezi which has received indications of interest for an additional US\$350k shareholder loan which would fund the company until 2 September. This has not as yet been finalised. Ncondezi is also actively engaging with Shareholder Loan holders to seek an acceptable funding solution ahead of loans expiring in September.
- The project will require funding of circa \$1bn to implement the 300MW plant and transmission line with optionality to increase capacity thereafter.
- Sub Saharan Africa is woefully underpowered and the proposed site is ideally located to plug into the existing network with potential to extend supply into South Africa, Zimbabwe, Botswana, Namibia and Zambia.
- **This is a very advanced project** and therefore has a good chance of securing high quality partners. The fact that the company has received unsolicited approaches is encouraging. **A feasibility study and all technical documentation has been completed, a Power Purchase Agreement has been agreed in principle with a local utility, all relevant Social Impact and Environmental studies, land use rights and other permits are in place**, the mine concession has been awarded and access to the power grid has been approved, indicating Government support.
- The first 300MW stage of the power plant has been estimated to generate US\$130m of EBITDA annually. **Ncondezi's very existence hangs in the balance as reflected by the sub £5m market cap. Should it find a way through to financial close, even a 10% share in the project could be worth more than 10x this amount. We applaud management's decision to take back control of the project. Stimulating competition amongst potential partners may help to secure a favourable outcome for shareholders.**

Financial Statements

Profit & Loss y/e Dec

	2015	2014
	US\$'000	US\$'000
Other administrative expenses	-2,731	-5,562
Impairment	-	-31,838
Reversal of accrual	656	
Share-based payments charge	-42	-226
Total administrative expenses and loss from operations	-2,117	-37,626
Finance income	1	3
Finance expense	-18	-41
Loss for the year before taxation	-2,134	-37,664
Taxation	17	-37
Loss for the year attributable to equity holders of the parent company	-2,117	-37,701
Loss per share expressed in cents		
Basic and diluted	-0.8	-20.5

Source: Company Accounts

Cash Flow Statement y/e Dec

	2015 US\$'000	2014 US\$'000
Cash flow from operating activities		
Loss before taxation	-2,134	-37,664
Adjustments for		
Finance income	-1	-3
Finance expense	18	41
Share-based payments charge	42	226
Unrealised foreign exchange movements	1	-30
Disposal of property plant and equipment	-	7
Impairment	-	31,838
Reversal of accrual	-656	-
Depreciation and amortisation	175	303
Net cash flow from operating activities before changes in working capital	-2,555	-5,282
Decrease in inventory	4	17
Decrease in payables	-2,100	-991
Decrease in receivables	200	2,020
Net cash flow from operating activities before tax	-4,451	-4,236
Income taxes paid	-35	-65
Net cash flow from operating activities after tax	-4,486	-4,301
Investing activities		
Payments for property, plant and equipment	-	-31
Interest received	1	3
Transfer from restricted cash	-	429
Power development costs capitalised	-669	-2,328
Mine development costs capitalised	-21	-755
Net cash flow from investing activities	-689	-2,682
Financing activities		
Issue of ordinary shares	1,184	5,000
Bank charges	-17	-41
Cost of share issue	-105	-217
Net cash flow from financing activities	1,062	4,742
Net decrease in cash and cash equivalents in the year	-4,113	-2,241
Cash and cash equivalents at the beginning of the year	4,515	6,756
Cash and cash equivalents at the end of the year	402	4,515

Source: Company Accounts

Balance Sheet y/e Dec

	2015 US\$'000	2014 US\$'000
Assets		
Non-current assets		
Property, plant and equipment	18,249	17,464
Total non-current assets	18,249	17,464
Current assets		
Inventory	8	12
Trade and other receivables	104	304
Cash and cash equivalents	402	4,515
Total current assets	514	4,831
Total assets	18,763	22,295
Liabilities		
Current liabilities		
Current tax payable	-	35
Trade and other payables	555	3,044
Total current liabilities	555	3,079
Total liabilities	555	3,079
Capital and reserves attributable to shareholders		
Share capital	86,557	85,478
Foreign currency translation reserve	4	16
Retained earnings	-68,353	-66,278
Total capital and reserves	18,208	19,216
Total equity and liabilities	18,763	22,295

Source: Company Accounts

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