

# KODAL MINERALS PLC

GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014



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## COMPANY INFORMATION

<b>DIRECTORS</b>	Luke Bryan Guy Eastaugh Markus Ekberg Emin Eyi David Jones Robert Wooldridge
<b>SECRETARY</b>	Weaver Financial Limited Stapeley House London Road Nantwich CW5 7JW
<b>COUNTRY OF INCORPORATION</b>	England and Wales
<b>REGISTERED NUMBER</b>	07220790
<b>REGISTERED OFFICE</b>	Prince Frederick House 35-39 Maddox Street London W1S 2PP
<b>NOMINATED ADVISOR</b>	Allenby Capital Limited 3 St Helen's Place London EC3A 6AB
<b>SOLICITORS</b>	Field Fisher Waterhouse LLP Riverbank House 2 Swan Lane London EC4R 3TT
<b>FINANCIAL ADVISER &amp; BROKER</b>	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP
<b>AUDITOR</b>	Baker Tilly UK Audit LLP 25 Farringdon Street London EC4A 4AB
<b>SHARE REGISTRARS</b>	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
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# HIGHLIGHTS

for the year ended 31 March 2014

This year has been a transformational period for Kodal Minerals Plc (“Kodal Minerals” or the “Company” and with its subsidiaries the “Group”) as it continues to develop a titanomagnetite and phosphate deposit in Norway, referred to as the “Kodal Project”:

## Operational Highlights

- In July 2013, the Group assisted in the successful application to the Norwegian Directorate of Mining to upgrade the exploration licences over the Kodal Project area to extraction licences;
- As part of its IPO process, the Group was able to declare a JORC compliant total indicated resource of 14.6Mt at 2.26% P (5.18% P<sub>2</sub>O<sub>5</sub>) and 24.12% Fe with an inferred resource of 34.3Mt at 2% P (4.59% P<sub>2</sub>O<sub>5</sub>) and 20.38% Fe;
- Consultants have been engaged and work has commenced on the baseline environmental and social studies for the Kodal Project;
- Subsequent to the year end, the Group has submitted an application to the Larvik and Andebu municipalities (the two Norwegian municipalities in which the Kodal Project lies) for a change of land use permission to allow mining activities; and
- In March 2014 the Group was granted 7 new exploration licences by the Norwegian Directorate of Mining covering an area of nearly 20 square kilometres around the Kodal Project, including an area in which a geophysical anomaly has historically been reported.

## Financial Highlights

- During the summer of 2013, the Group raised £0.3 million from private investors, to finance the analysis of the 918 metre test drilling undertaken in 2012 and undertake other preparatory work for the IPO;
- In December 2013, Kodal Minerals completed its IPO and admission to AIM (“Admission”) and exercised its option to acquire the licences for the Kodal Project;
- The Company raised £1.0 million from a placing of ordinary shares at the time of Admission and in January 2014 raised a further £1.25 million from a further placing;
- The consolidated results of the Group for the year to 31 March 2014 show a loss of £232,000 (2013: loss of £25,000); and
- At 31 March 2014, the Group had cash balances of £1,501,000 compared with £20,000 at 31 March 2013.

# CEO REPORT

for the year ended 31 March 2014

I am very pleased to present my report for the year ended 31 March 2014, which is our first set of results as a public company traded on AIM.

## IPO and acquisition of the Kodal Project

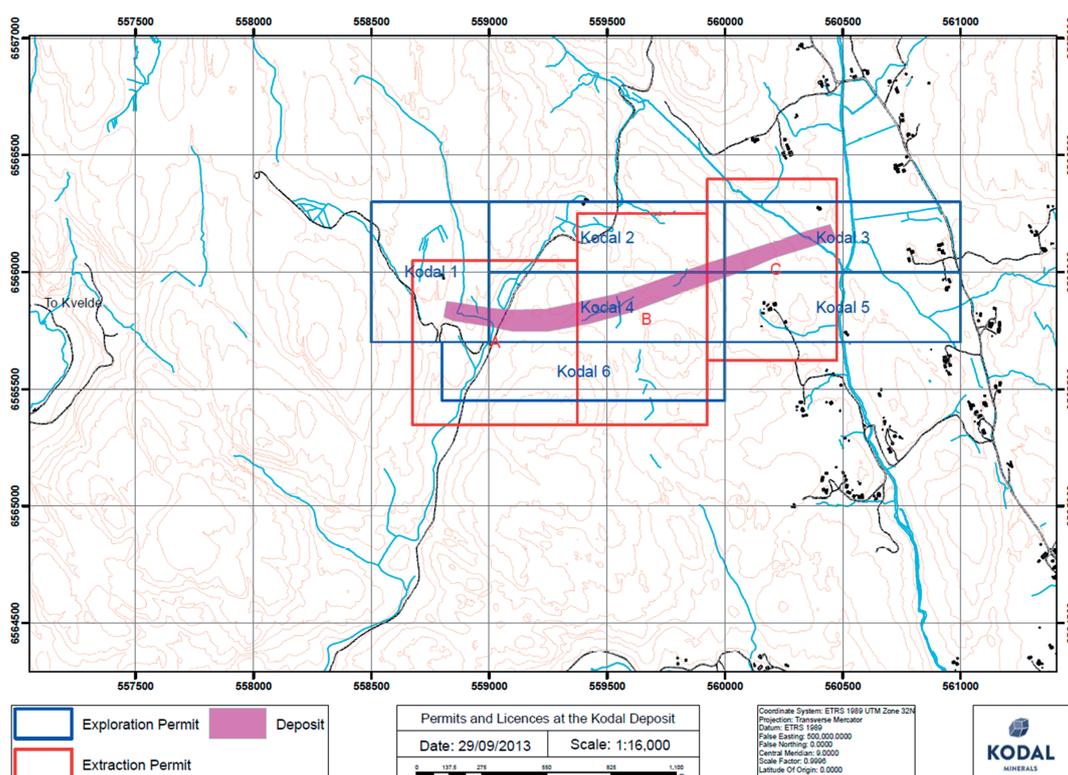
The most significant event in the year was the successful completion of the Initial Public Offering (“IPO”) of Kodal Minerals and its admission to AIM in December 2013. The completion of the IPO also satisfied the last condition to allow the Group to exercise its option to acquire the Kodal Project licences from Tetra Minerals Oy (“Tetra”). The acquisition was completed by the issue of 250 million ordinary shares (“Shares”) in the Company to Tetra and a cash payment of €100,000.

Under the terms of the acquisition, Tetra will also receive a royalty of 1.5% of revenue generated from mineral sales in connection with the Kodal Project licences. In addition Tetra has also been granted options over additional Shares which become exercisable only if the JORC indicated resource of phosphate minerals exceeds certain relatively high threshold levels, the likelihood of which the directors of the Company (“Directors”) presently consider to be remote.

## Description of the Kodal Project

The Kodal Project is located in the Vestfold county of Norway and the boundary between the Andebu and Larvik municipalities crosses the project area. It is a phosphorus (P) and iron (Fe) project and is situated in the Lågen valley, 20 km north of Larvik. The Kodal Project forms part of the Vestfold-Ringerike Graben geological structure and is located approximately 85 km south-west of Oslo.

The Kodal Project area is covered by three contiguous extraction licences issued by the Norwegian Directorate of Mining which expire in July 2023. The location of the Kodal Project extraction licences is shown below.



Location map of the project concessions

The Kodal Project's mineralised zone has been subject to two phases of historic exploration and geological modelling since the 1960s. All historic exploration was undertaken by Norsk Hydro ASA ("Norsk Hydro"), a part state owned Norwegian energy and resources group.

The first phase was completed between 1960 and 1963 with 40 shallow (less than 50 metres) diamond drill holes over 20 profiles with subsequent follow-up drilling between 1974 and 1975 when an additional 20 diamond drill holes were drilled. These additional holes are deeper, with depths ranging from 110 to 550 metres.

More recently, Kodal Minerals drilled seven diamond drill holes in 2012, comprising 918 metres of drilling designed to verify historical drill data. A summary of drilling undertaken on the Kodal Project is set out in Table 1 below.

	Years	Metres	Hole IDs	Diameter	
A	1961	2062.90 m	BH01 – BH39, LH01-LH02B	EX	18.6 mm
B	1974	4198.20 m	BH41 – BH58	BQ	36.5 mm
C	2012	918.40 m	BH60-BH68	BQTK	40.5 mm
	Total	7179.5 m			

Table 1: Drilling undertaken on the Kodal Project.

Subsequent to drilling, Kodal Minerals undertook re-logging of all available historic core in 2013 and captured geological, mineralogical, alteration and geotechnical characteristics including core preservation, sampling and core recovery.

Historic data has been validated in three ways:

- CSA Global (UK) Ltd ("CSA") has validated hard-copy grade data versus the digital data supplied by Kodal Minerals.
- Kodal Minerals has undertaken a twin drilling programme, the results of which have been assessed by CSA.
- Kodal Minerals has undertaken re-sampling and analysis of a portion of the available historic core, by current methods. This data has been assessed by CSA.

Historical mineral processing and metallurgical test work has been completed on samples obtained from the Kodal Project and reported as part of historical feasibility study work completed by Norsk Hydro in the 1970s. In addition, preliminary test work was completed by Kodal Minerals in 2013 on a bulk composite sample (23kg) of drill core.

## CEO REPORT (continued)

for the year ended 31 March 2014

The Kodal Project has a JORC compliant total Indicated Resource of 14.6 million tonnes (Mt) at 2.26% P (5.18% P<sub>2</sub>O<sub>5</sub>) and 24.12% Fe with an Inferred Resource of 34.31 Mt at 2% P (4.59% P<sub>2</sub>O<sub>5</sub>) and 20.38% Fe. Table 2 below, sets out a summary of the Kodal Project resource by status.

Category	Tonnes (millions)	Gross				Net attributable				Operator	
		Grade		Contained Metal		Grade		Contained Metal			
		P <sub>2</sub> O <sub>5</sub> (%)	Fe (%)	P <sub>2</sub> O <sub>5</sub> (Mt)	Fe (Mt)	P <sub>2</sub> O <sub>5</sub> (%)	Fe (%)	P <sub>2</sub> O <sub>5</sub> (Mt)	Fe (Mt)		
Ore/Mineral reserves per asset	—	—	—	—	—	—	—	—	—	—	
Proved	—	—	—	—	—	—	—	—	—	—	
Probable	—	—	—	—	—	—	—	—	—	—	
Sub-total	—	—	—	—	—	—	—	—	—	—	
Mineral resources per asset											
Measured	—	—	—	—	—	—	—	—	—	—	
Indicated	14.6	5.18	24.1	0.76	3.52	14.6	5.18	24.1	0.76	3.52	Kodal Minerals
Inferred	34.3	4.59	20.0	1.58	6.99	34.3	4.59	20.0	1.58	6.99	Kodal Minerals
Sub-total	48.9	4.77	21.49	2.34	10.51	48.9	4.77	21.49	2.34	10.51	Kodal Minerals
<b>Total</b>	<b>48.9</b>	<b>4.77</b>	<b>21.49</b>	<b>2.34</b>	<b>10.51</b>	<b>48.9</b>	<b>4.77</b>	<b>21.49</b>	<b>2.34</b>	<b>10.51</b>	Kodal Minerals

Table 2: Summary resources by status

### Metallurgical test work

In March 2014, the Company reported the results of additional metallurgical test work. The sample material for these tests was drawn from drill core but cannot be considered to be representative of the deposit. The intention of the tests was to provide samples of both phosphate and iron concentrates for further analysis and to provide a sample of tailings material for preliminary analysis. The processing route was developed in the initial test work undertaken in 2013, and utilises froth flotation and magnetic separation.

The concentrate grades from these further tests were broadly in line with expectations based on the results obtained in 2013, with the phosphate concentrate grade dropping slightly while the iron ore grade improved slightly.

	Phosphate concentrate	Iron concentrate
2013 Results	P <sub>2</sub> O <sub>5</sub> 41.8%	Fe 62%, Ti 8.7%
2014 Results	P <sub>2</sub> O <sub>5</sub> 40.5%	Fe 63.7%, Ti 5.2%

These tests indicate that the Kodal Project will produce a high-grade phosphate concentrate with both test programmes yielding a concentrate of over 40% P<sub>2</sub>O<sub>5</sub>. The increase in the iron concentrate grade is also very positive, especially in combination with the reduction in titanium.

### **Granting of additional permits**

Subsequent to the IPO, the Group applied for and was granted seven new exploration licences by the Norwegian Directorate of Mining. These new licences cover a total land area of 19.795 km<sup>2</sup> and surround the three extraction licences already held by the Group for the Kodal Project.

The new licences include a reported positive magnetic and gravity anomaly identified by ground geophysics. The Company has three reports detailing geophysics in the project area dated 1973, 1976 and 1983 by various authors including the Norwegian Geological Survey ("NGU").

Kodal Minerals is currently completing geological mapping of the entire new area as well as investigating known mineralised occurrences in the region. Limited ground geophysics is planned as a follow up to the mapping.

### **Site development**

At the Kodal Project site basic infrastructure has been put in place to support the field work planned to be undertaken over the summer.

Environmental monitoring has also started with the installation of two automatic weather stations, one at either end of the project area. These stations will collect local weather data, which will be used to support the Environmental and Social Impact Assessment ("ESIA") studies. The monitoring of stream flows in the Kodal Project area has also been under way since the spring thaw.

The format of the ESIA document has been completed following meetings with national, regional and municipal level authorities in Norway. The expected format and content of an ESIA in Norway is somewhat specific to Norway and the Company has spent some time ensuring the planned format meets the Norwegian requirements while still adhering to the Equator Principles risk management framework.

Environmental baseline studies are in progress as are studies on the potential social impact of the project.

The Company has completed a concept level site layout including approximate waste rock and tailings disposal options. The concept appears to offer a very compact zone of impact and if supported by future studies it seems that the Kodal Project may be able to be operated and decommissioned leaving a very moderate physical impact on the immediate environment.

Kodal Minerals has also engaged the services of various consultants to help with the project.

### **Change of land use application**

Since the year end, the Group has submitted applications to the Larvik and Andebu municipalities (the two local municipalities in which the Kodal Project is located) for change of land use permission to allow mining operations to be undertaken. The two municipal planning processes operate according to different timetables and do not have defined completion dates. The Group expects that the initial decisions on area land use may be determined during the next 12 months.

## CEO REPORT (continued)

for the year ended 31 March 2014

### Financing

During the summer of 2013, the Company raised £300,000 from the issue of Shares to private investors. These funds were used to continue the assay and metallurgical work and other preparatory work for the IPO.

At the time of the IPO, the Company completed a placing to institutional and professional investors to raise £1.0 million and in January 2014 completed a follow on placing raising a further £1.25 million. These funds have been used to meet the costs of the IPO and finance the ongoing development work at the Kodal Project, as well as meeting the Group's working capital requirements. As at 31 March 2014, the Group had cash balances of £1,501,000.

### Outlook

During the year, the Group has made significant progress towards its objective of bringing the Kodal Project into production.

For the rest of the current financial year, the focus will be on progressing the change of land use applications with the municipalities and completing the environmental base line studies.

We will also undertake limited exploration studies on the new exploration licences around the existing Kodal Project.

Luke Bryan  
CEO  
3 June 2014

# STRATEGIC REPORT

for the year ended 31 March 2014

## Group Strategy

The Group is engaged in the development of the Kodal Project which is an iron ore and phosphate deposit located in Vestfold County southern Norway.

The overall objective is to progress the development of the Kodal Project through to a fully producing, profitable mine providing an important source of high grade phosphate for European markets, as an essential component of fertilisers, and also iron ore for use in, for example, steel production. Once fully operational, the mine is expected to have a life of around 19 years.

The development of the mine is a complex process that is expected to take several years. It will involve additional drilling to confirm the size and grade of the deposit, metallurgical work to define the processing pathway and engineering and design work to establish the optimal mine plan and plant design.

Kodal Minerals is presently focussed primarily on progressing the planning and permitting process which is expected to include:

- Conducting environmental and social base line studies over the Project area to determine the environmental and social impact assessment of the Kodal Project.
- Completing a comprehensive ESIA to support the development of the Kodal Project.
- Progressing the Norwegian planning process at municipal, regional and state level to obtain the required permits to operate the mine and related processes and activities.
- Progressing the applications submitted to the Norwegian municipalities of Andebu and Larvik for changes to their respective area land use plans to allow mining operations in the Kodal Project area.
- Conducting further resource and site investigation work to advance the development of the Kodal Project.

At each stage of the development process, Kodal Minerals will assess the viability and commercial feasibility of the Project.

Kodal Minerals may also assess other mining projects and may make an acquisition, enter a joint venture or acquire new land if a suitable opportunity is identified.

## Financial and non-financial objectives of the Group

The objectives of the Group are to develop the Kodal Project and ultimately bring it into commercial production in a fully environmentally compliant manner:

The financial objectives of the Group are:

- to fund the technical and environmental development of the Kodal Project; and
- to operate the Kodal Project profitably.

The non-financial objectives of the Group are:

- to ensure that the environmental and social impact of the Kodal Project is minimised;
- to ensure that all applicable environmental standards are maintained; and
- to seek to ensure the safety of all the Group's employees and consultants.

# STRATEGIC REPORT (continued)

for the year ended 31 March 2014

## Summary of the risks to achieve objectives

### *Technical Risks*

As currently conceived the Kodal Project is regarded as having a low technical risk. The planned operations utilise common mining and processing technologies to produce saleable grade concentrates.

### *Social Risks*

There is an element of social risk associated with the Kodal Project as it is located in the vicinity of residential housing. A small number of these houses are in the impact zone of the Kodal Project in that they will be able to see or hear the mining operations and in a smaller number of cases will be within 500 metres of the mine in its later years. These risks will be quantified in the baseline study and impacts and potential mitigation will be assessed and described in the ESIA.

### *Political Risks*

Norway is regarded by the Directors as a low risk country. Norway's political environment is stable and the country benefits from having an effective and accountable system of government. Legislation is prepared by an experienced civil service and often follows lengthy consultations with groups affected by any new laws. Legislation must then pass through parliament's committee system, where the aim is usually to build a cross-party consensus, or at least a majority. The justice system is of high quality, while regulatory authorities are efficient and apply rules irrespective of a company's country of origin. In accordance with Norway's membership of the European Economic Area (EEA), foreign individuals and companies are free to purchase Norwegian property and company shares, although ownership is restricted in specific sectors (defence, energy, financial services). Norwegian law generally provides sufficient protection of all property rights, including most intellectual property.

### *Economic Risks*

The economic risks to the Group are mainly limited to global economic performance. Both phosphate and iron ore are internationally traded bulk commodities with published price statistics. In both markets the Group will be a very small participant in terms of volume and value. The activities of the Group will not impact world prices. The commercial viability of the proposed mine will depend on the market prices for these commodities.

### *Financial Risks*

The principal financial risk to the Group is access to additional development finance which is likely to be raised initially by way of equity finance. At later stages of development, the Kodal Project will produce a significant proportion of its revenues from the sale of very high quality phosphate rock concentrate which should be subject to an off-take agreement, and additional development finance should be available under normal market conditions.

### *Marketing Risks*

The Group will be exposed to marketing risk only once the Kodal Project enters production and it needs to sell the phosphate and iron ore production. The Group regards the marketing risk associated with the sale of the phosphate concentrate to be low. The marketing risk associated with the iron concentrate is less easy to anticipate as the Group has yet to decide on what mainstream or alternative markets to enter.

### *Legal Risk*

Legal risk is regarded as low. As noted above the justice system in Norway is of high quality, while regulatory authorities are efficient and apply rules irrespective of a company's country of origin. The Group owns a number of licences all of which were first issued in 2013 or 2014. The most important licences are the extraction licences which were issued in mid-2013 and run for 10 years, thus providing the Group with over 9 years in which to bring the project into production.

## Group's approach to achieving the objectives in the context of the market outlook

The two markets whose outlook will impact the development of the Kodal Project are the capital markets and the markets for the products intended to be produced at the Kodal Project. These are considered in turn.

### *Capital markets*

The Kodal Project is currently anticipated to require a capital investment of approximately US\$120 million. Given the early stage of engineering studies and the presence of significant variables it is probably prudent to consider the capital requirement to be in the range of US\$100 – \$150 million.

The factors considered to be strongly supportive of the Kodal Project in terms of raising development finance are;

- Very low country risk in Norway;
- Relatively low capital expenditure requirement;
- Relatively long project life (currently 19 years, stage 1);
- Very high quality phosphate concentrate; and
- Potential access to funding in Norway.

Despite the factors above, the ability of the project to attract finance will depend upon the economics of the Kodal Project which in turn are dependent mainly upon the results of engineering studies which are yet to be completed, and future commodity prices. Based upon commodity prices achieved in recent years and preliminary engineering estimates it appears the Kodal Project can be reasonably expected to achieve the required returns to continue to attract development finance.

### *Physical markets*

The Kodal Project is expected to produce phosphate concentrate and an iron product.

- The phosphate concentrate specifications are fairly well known and as understood currently the Kodal Project phosphate concentrate will be one of the highest quality phosphate concentrates available on the world market at 41-42% P<sub>2</sub>O<sub>5</sub> and a Minor Element Ratio ("MER") of 0.022. It is expected that the annual production of approximately 200,000 tonnes will find a ready market and attract a premium price. Regardless of the quality, the price achieved will to some degree be related to the published prices for phosphate rock at the time of sale. The phosphate price displays considerable variability, from about US\$46/tonne to about US\$425/tonne over the last 13 years. The current price is about US\$110/tonne for 33% P<sub>2</sub>O<sub>5</sub> rock fob Morocco with a MER of 0.035. It is worth noting that the Moroccan benchmark grade has dropped to 29-31% P<sub>2</sub>O<sub>5</sub>. Worldwide high grade phosphate resources are being depleted, Morocco is investing to produce value added phosphate products and production in Florida is in decline. These factors tend to support future prices.
- The iron product is expected to be a titanomagnetite concentrate grading 62-64% Fe and 5-8% Ti (Titanium). Research to date indicates that this product can be sold in China at a discount of approximately US\$30/tonne to the spot price. The Group intends to research both speciality markets for magnetite and adding value through additional processing. Both potential sales routes could offer the opportunity to sell into Europe thus avoiding the cost of shipping to China.

In general the development of the project is expected to continue despite the short term fluctuations of the two relevant commodity prices. The development cycle of the Kodal Project is measured in years whilst the prices can show significant change over a single year. Unless there is a significant and seemingly permanent drop in commodity prices the Group intends to continue the development.

# STRATEGIC REPORT (continued)

for the year ended 31 March 2014

## The Group's business model

Kodal Minerals is a mineral project development company with one project, the Kodal Project, under development. The Group is based in London and has subsidiaries in Norway. The Group's business model is similar to that of most junior mineral development companies. Money is raised on the capital markets and invested in the development of the project. The Group seeks to increase its total value and value for shareholders via the development of the Kodal Project.

## Overview of the past year

During the year ended 31 March 2014 Kodal Minerals has achieved a number of important milestones and ended the year in a good position, both financially and operationally, to have another successful forthcoming year. The key milestones of the year to 31 March 2014 were:

- Declared a JORC resource for the Kodal Project;
- Successfully applied for extraction licences over the Kodal Project area;
- Produced a very high grade phosphate concentrate in initial metallurgical test work;
- Completed an IPO and was admitted to AIM in 30 December 2013;
- Raised £1.0 million on IPO at a price of 0.7 pence per share;
- Completed a follow on raising of £1.25 million at 1.25 pence per share;
- Successfully applied for new exploration licences surrounding the Kodal Project area; and
- Commenced baseline environmental and social impact studies.

The development plan for approvals and permitting for the mine have been discussed with the relevant Norwegian authorities.

Since the year end, the Group has submitted applications to the Larvik and Andebu municipalities for change of land use permission to allow mining operations to be undertaken.

## Utilising key performance indicators ("KPIs")

At this stage of its development Kodal Minerals does not consider KPIs to be a relevant performance metric as the Group is moving the project through the Norwegian planning process and collecting baseline environmental data.

Approved by the Board of Directors and signed on behalf of the Board on 3 June 2014.

Luke Bryan  
CEO

# REPORT OF THE DIRECTORS

for the year ended 31 March 2014

The Directors present their report, together with the audited consolidated financial statements for Kodal Minerals Plc for the year ended 31 March 2014.

The Company is registered in England and Wales, having been incorporated on 13 April 2010 under the Companies Act with registration number 07220790 as a private company limited by shares. On 8 April 2013 the Company changed its name to Kodal Minerals Limited from Clearphos Limited. On 19 December 2013 the Company registered as a Public Limited Company and changed its name to Kodal Minerals Plc and on 30 December 2013 its shares were admitted to trading on the AIM Market of the London Stock Exchange.

## Principal activity

The Company was incorporated for the purposes of acquiring or discovering and developing mineral assets.

## Domicile and principal place of business

Kodal Minerals Plc is domiciled in the United Kingdom. Its principal place of business as at 31 March 2014 was Norway.

## Directors

The following Directors held office during the year:

David Jones	Appointed 20 December 2013
Luke Bryan	Appointed 8 April 2013
Guy Eastaugh	Appointed 20 December 2013
Markus Ekberg	Appointed 19 March 2014
Emin Eyi	
John Mackay	Resigned on 21 November 2013
Robert Wooldridge	

## Biographical details of the Directors

### David Harold Jones CBE, (Chairman, Non-executive Director)

David was the group chief executive of National Grid plc, which was the owner and operator of the electricity power transmission system of England and Wales from 1994 to 2010. David was involved in matters of national energy policy and he also advanced National Grid plc's acquisitions in North America and internationally. David was chairman of UK Coal plc from 2003 to 2010 and held board positions at Teesside Power Ltd, United Utilities Group plc and Bull Information Systems Ltd. Mr Jones was formerly Chief Executive of South Wales Electricity, having previously held senior engineering, commercial and management posts on the South Western and Midlands Electricity Boards.

### Luke Robert Bryan, (Chief Executive Officer)

Luke is a mining engineer with over 20 years of international experience. Most recently he was chief executive officer of North River Resources, an AIM quoted mineral exploration company and prior to that he worked as an independent consultant. Luke has worked in Africa, Australia, the Former Soviet Union and Europe. He holds degrees in Mining Engineering and Economics from Auckland University. Luke is based in London and is a Fellow of the Geological Society.

## REPORT OF THE DIRECTORS (continued)

for the year ended 31 March 2014

### **Guy Edward Eastaugh**, (Non-executive Director)

Guy began his career at PricewaterhouseCoopers International Limited in London, qualifying in 1987. Guy subsequently spent six years in investment banking before moving into industry in 1995. He worked at Enron Europe Limited, rising to vice president, before joining Hanson plc as head of corporate development in 1999. From 2003 to 2007 he was head of corporate finance and corporate director – strategy at GKN plc. In May 2007, Guy joined Invista Real Estate Investment Management Holdings plc as chief financial officer and a main board director. He remained part of the executive team that led the successful sale of the business in 2012. Guy is a qualified chartered accountant and a member of the Association of Corporate Treasurers. He holds a Masters degree in Natural Sciences from Cambridge University.

### **Markus Ekberg**, (Non-executive Director)

Mr Ekberg is a director and 50% shareholder of Tetra Minerals Oy (“Tetra”) which holds 250,000,000 ordinary shares in Kodal Minerals, representing approximately 32.46% of the issued share capital, and has been appointed as a representative of Tetra. Markus has nearly 30 years’ experience in the management and construction of mines and mining projects, particularly with projects involving base metals, gold and chromium. His experience covers participation in various projects in Finland, Norway, Ireland and Australia. Since, 2009 he has been the CEO of Endomines AB, a company listed on NASDAQ OMX in Helsinki and Stockholm, which owns a producing gold mine in Finland.

### **Emin Eyi**, (Non-executive Director)

Emin is currently managing director of Tri-Star Resources plc, an AIM listed integrated antimony development company. Prior to his current role, Emin was a partner of SP Angel Corporate Finance LLP where he conducted investment and advisory work for clients. He has particular experience of the mining and resource industry and is familiar with those who provide financing and who are active in the investment market for mining and resource companies. Mr. Eyi has 20 years of investment banking experience in the natural resource sector at a number of firms including Cazenove & Co, Barings, HSBC and Goldman Sachs. He is a graduate of Imperial College in London, with a Masters degree in Mining Engineering, and is a Fellow of the Geological Society.

### **Robert Ian Wooldridge**, (Non-executive Director)

Robert is currently a partner at SP Angel Corporate Finance LLP. After graduating with a degree in Natural Sciences from Cambridge University, he spent eight years at PricewaterhouseCoopers International Limited, qualifying as a chartered accountant in 1989. He left in 1994 to join the international equity capital markets division of HSBC Investment Bank where he spent a further eight years and was responsible for completing a number of landmark equity transactions across Europe, India and the Middle East & Africa. In 2003 he joined an investment banking boutique, to head up its corporate finance and securities operation and was then one of the founding partners of SP Angel in 2006. SP Angel is an independent corporate finance and broking operation which focuses on advising small and mid-cap companies in the mining, oil and gas, property and technology sectors.

## Directors' interests

The beneficial interests in the Company's shares and share options of the current Directors and their families, as at 31 March 2014 are as follows:

Directors	Ordinary shares 31 March 2014	Ordinary shares 31 March 2013	Notes
David Jones	7,808,000	–	
Luke Bryan	48,500,000	5,000,000	1 & 2
Guy Eastaugh	2,857,150	–	3
Markus Ekberg	250,000,000	–	4
Emin Eyi	30,147,997	31,232,000	
Robert Wooldridge	50,081,477	30,451,200	

Note 1: Held by Novoco Mine Engineering Limited ("Novoco"), a company wholly owned by Luke Bryan.

Note 2: Under an option agreement between the Group and Novoco, the Group granted to Novoco options over 25,000,000 Shares ("Option Shares") at an exercise price of 0.7 pence per share. The options become exercisable in respect of one third of the total number of Option Shares on each of the first, second and third anniversaries of 30 December 2013. The options are exercisable for a period of ten years from the date on which they vest and become exercisable.

Note 3: Held by GEE Consulting Limited, a company wholly owned by Guy Eastaugh.

Note 4: These shares are held by Tetra Minerals Oy, a company in which Markus Ekberg is a director and 50% shareholder.

## Acquisition of Kodal Phosphate AS

Kodal Phosphate AS is the registered holder of the Kodal Project extraction licences. On 30 December 2013 the Group purchased Kodal Phosphate AS for consideration of £1.835 million satisfied by issuing 250,000,000 Shares at 0.7 pence per Share (i.e. Shares to a value of £1,750,000) to Tetra Minerals Oy together with a cash payment of €100,000 (£85,000). IFRS 3 (Business combinations) defines a business combination as the bringing together of separate entities or businesses into one reporting entity. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. The extraction licences were the sole assets held by Kodal Phosphate AS, there being no business operation. The board of Directors (the "Board") has therefore treated the acquisition of Kodal Phosphate AS as the acquisition of an asset and not a business combination in these consolidated financial statements.

## Principal risks and uncertainties

The Board continually reviews the risks facing the Group. The Group is not yet revenue generating. The principal risks and uncertainties facing the Group involve the ability to raise funding in order to finance the continued development of the Group's mining activities, obtaining necessary operating permits and licences and the exposure to fluctuating commodity prices.

## Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and trade and other payables. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are liquidity risk, price risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

## REPORT OF THE DIRECTORS (continued)

for the year ended 31 March 2014

### *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash reserves to fund the Group's exploration and operating activities. Management prepares and monitors forecasts of the Group's cash flows and cash balances monthly and ensures that the Group maintains sufficient liquid funds to meet its expected future liabilities. The Group has developed plans to raise funds in discrete tranches to provide sufficient cash resources to manage the activities through to revenue generation.

### *Price risk*

The Group is exposed to fluctuating commodity prices of phosphate and iron ore and the existence and quality of these commodities within the project area. The Directors will continue to review the prices of phosphate and iron ore as development of the project continues and will consider how this risk can be mitigated closer to the commencement of mining.

### *Foreign exchange risk*

The Group is exposed to the Norwegian Kronor as a proportion of its operating expenses are incurred in Kronor. The Group does not have a policy of using hedging instruments but will continue to keep this under review. The Group operates foreign currency bank accounts to help mitigate the foreign currency risk.

### *Going concern and funding*

The Group has not earned revenue during the year to 31 March 2014 as it is still in the exploration and development phases of its business. The operations of the Group are currently being financed from funds which the Company has raised from the issue of new Shares.

As at 31 March 2014, the Group held cash balances of £1.5 million.

The Directors have prepared cash flow forecasts for the period ending 30 September 2015. The forecasts include the unavoidable running costs of the Group and limited discretionary exploration and development expenditure. The forecasts demonstrate that the Group has sufficient cash resources available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements without the need for a further fund raising. However, further fund raising will be required at an appropriate time in order to complete the project plan. Accordingly, the financial statements have been prepared on a going concern basis.

### **Directors' and Officers' liability insurance**

The Group has Directors' and Officers' liability insurance to cover claims up to a maximum of £1.0 million.

### **Charitable donation**

During the year to 31 March 2014 the Group made a charitable donation of £1,000.

### **Statement as to disclosure of information to auditors**

The Directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each, of the Directors has confirmed that he has taken all the steps that he ought to have taken as a Director, in order to make himself aware of any relevant audit information and to establish that it has been communicated to the auditor.

## **Directors' responsibilities statement**

The Directors are responsible for preparing the Strategic Report, Directors' Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Auditors and Annual General Meeting**

Baker Tilly UK Audit LLP were appointed in the year and offer themselves for reappointment as auditors in accordance with section 489(4) of the Companies Act 2006. A resolution to reappoint Baker Tilly UK Audit LLP will be proposed at the Annual General Meeting.

Approved by the board of directors and signed on behalf of the board on 3 June 2014.

Robert Wooldridge  
Director

# CORPORATE GOVERNANCE

for the year ended 31 March 2014

## Introduction

While not mandatory for an AIM company, the Directors take due regard, where practical for a company of this size and nature, of certain provisions of the principles of good governance and code of best practices under the UK Corporate Governance Code. The disclosures presented herein are limited and are not intended to constitute a corporate governance statement.

## Directors

The Company supports the concept of an effective board leading and controlling the Group. The Board is responsible for approving Group policy and strategy. It meets on a regular basis and has a schedule of matters specifically reserved for decision. Procedures are in place for operational management to supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary.

The Directors that served during the year are detailed on pages 13 and 14. The Non-Executive Chairman of the Board is David Jones.

## Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. The Directors will be available to answer questions. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and accounts.

## Internal control

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investments and the Group's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Audit Committee comprises Guy Eastaugh and David Jones and is chaired by Guy Eastaugh. It meets at least twice a year to consider the integrity of the financial statements of the Group, including its annual and interim accounts, the effectiveness of the Group's internal controls and risk management systems, auditor reports, and terms of appointment and remuneration for the auditors.

The Remuneration Committee performs both remuneration and nomination functions and comprises David Jones and Guy Eastaugh and is chaired by David Jones. It meets as and when required. The purpose of the remuneration function is to ensure that the executive directors are fairly rewarded for their individual contributions to the overall performance of the Group, to determine all elements of the remuneration of the executive directors and to demonstrate to the Group's shareholders that the remuneration of the executive directors is set by a Board committee whose members have no personal interest in the outcome of the committee's decision and who will have appropriate regard to the interests of the shareholders.

The purpose of the nomination function is to identify and nominate new directors to the Board as considered necessary.

The Board has considered the need for an internal audit function but has decided the size and complexity of the Group does not justify it at present. However, it will keep this decision under annual review.

# REPORT ON REMUNERATION

for the year ended 31 March 2014

## Directors' remuneration

The Board recognises that Directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice. The Group operates within a competitive environment and its performance depends on the individual contributions of the Directors.

## Policy on Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives.

The amounts shown as "Share option expense" relate to a theoretical calculation of the non-cash cost to the Group of the share options granted to the directors, further details of which are provided in Note 5. These do not represent cash payments to the Directors either made in the past or due in the future.

The remuneration of the Directors was as follows:

	Fees and salary year to 31 March 2014 £	Share option expense year to 31 March 2014 £	Total year to 31 March 2014 £
Luke Bryan *	12,500	15,972	28,472
Guy Eastaugh	5,000	–	5,000
Markus Ekberg	767	–	767
Emin Eyi **	5,000	–	5,000
David Jones	7,500	–	7,500
Robert Wooldridge ***	5,000	–	5,000
John Mackay	–	–	–
	35,767	15,972	51,739

There were no payments to directors in the year to 31 March 2013.

\* Novoco Mine Engineering Limited, a company wholly owned by Luke Bryan, provided consultancy services to the Group during the year and received fees of £100,000 in cash plus 48,500,000 in Shares in the year ended 31 March 2014 (2013: £nil). Of these fees, £50,000 in cash and 43,500,000 in Shares were success payments that were conditional on the completion of the admission to AIM.

\*\* The £5,000 fee paid to Emin Eyi was settled by the allotment of 672,949 Shares at a price of 0.743 pence per Share in April 2014.

\*\*\* £2,500 of the £5,000 fee paid to Robert Wooldridge was settled by the allotment of 336,472 Shares at a price of 0.743 pence per Share in April 2014.

## REPORT ON REMUNERATION (continued)

for the year ended 31 March 2014

### Directors' service contracts

Luke Bryan was appointed as a Director on 8 April 2013 but received no remuneration until the Company's shares were admitted to trading on AIM. With effect from 30 December 2013, the Service Agreement between the Company and Luke Bryan appointed him as an executive director of the Company to hold office as Chief Executive on a salary of £50,000 per annum. His appointment will continue for an initial term of 12 months and will continue thereafter subject to six months' notice of termination by either party. In addition, the Company is obliged to make payments to Luke Bryan on termination of his Service Contract (which are inclusive of compensation for termination of his employment): if Luke Bryan ceases to be employed as a result of wrongful dismissal, illness or retirement, he is to be paid the sum of £150,000; if he ceases to be employed for other reasons, other than his resignation, voluntary termination or dismissal for cause, he will be paid the sum of £75,000; and Luke Bryan will have no entitlement to compensation if he leaves employment by resigning or giving notice voluntary or if he is dismissed for good cause and does not have a valid claim for wrongful dismissal. Luke Bryan may also provide consultancy services to the Company.

Guy Eastaugh. The letter of appointment with Guy Eastaugh is for the position of non-executive Director of the Company. The terms of this letter provide for an annual fee of £20,000 with effect from 30 December 2013. The appointment commenced on 20 December 2013 and will continue for an initial period of 12 months and thereafter be subject to 3 months' notice of termination by either party to expire at the end of the initial 12 month period or at anytime thereafter. No compensation will be payable for loss of office and the appointment may be terminated immediately if, among other things, Guy Eastaugh is in material breach of the terms of the appointment.

Markus Ekberg. Under the terms of the agreement between the Company and Tetra Minerals OY ("Tetra Minerals"), there is the right for Tetra Minerals to appoint a representative to the Board of Kodal Minerals provided Tetra Minerals together with any associate retains an interest of 30% or more of the voting rights in the Company. Tetra Minerals has nominated Mr Markus Ekberg and he joined the Board on 19 March 2014. The Board agreed that Markus Ekberg receives an annual fee £20,000.

Emin Eyi. The letter of appointment with Emin Eyi is for the position of non-executive Director of the Company. The terms of this letter provide for an annual fee of £20,000 with effect from 30 December 2013 which is to be satisfied in arrears by the issue of new Ordinary Shares on a quarterly basis (the first issue falling due on the date that is three months from Admission) at a price equal to the average mid-market closing price of the Ordinary Shares for the last five trading days of the period for which such shares are being issued. The appointment will continue for an initial period of 12 months from 30 December 2013 and thereafter be subject to 3 months' notice of termination by either party to expire at the end of the initial 12 month period or at anytime thereafter. No compensation will be payable for loss of office and the appointment may be terminated immediately if, among other things, Emin Eyi is in material breach of the terms of the appointment.

David Jones. The letter of appointment for David Jones is for the position of non-executive Chairman of the Company with effect from 20 December 2013. The terms of this letter provide for a monthly fee of £2,500 with effect from 30 December 2013. The appointment will continue for an initial period of 12 months and thereafter be subject to 3 months' notice of termination by either party to expire at the end of the initial 12 month period or at anytime thereafter. No compensation will be payable for loss of office and the appointment may be terminated immediately if, among other things, Mr. Jones is in material breach of the terms of the appointment.

Robert Wooldridge. The letter of appointment with Robert Wooldridge is for the position of non-executive Director of the Company. The terms of this letter provide for an annual fee of £20,000 with effect from 30 December 2013. Until 31 March 2014 50% of his fee was satisfied in arrears by the issue of new Ordinary Shares on a quarterly basis at a price equal to the average mid-market closing price of the Ordinary Shares for the last five trading days of the period for which such shares are being issued.

From 1 April 2014 Mr Woolridge's fee will be payable wholly in cash. The appointment will continue for an initial period of 12 months and thereafter be subject to 3 months' notice of termination by either party to expire at the end of the initial 12 month period or at anytime thereafter. No compensation will be payable for loss of office and the appointment may be terminated immediately if, among other things, Robert Wooldridge is in material breach of the terms of the appointment.

### **Pensions**

The Company does not operate a pension scheme for Directors or employees.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KODAL MINERALS PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 23 to 51. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditor**

As more fully explained in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeUKprivate>.

## **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 March 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

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

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Graham Ricketts (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

25 Farringdon Street

London

EC4A 4AB

3 June 2014

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	Note	Year ended 31 March 2014 £	Year ended 31 March 2013 £
<b>Continuing operations</b>			
Revenue		–	–
Administrative expenses	2	(195,151)	(18,596)
Share based payments	5	(33,056)	–
<b>OPERATING LOSS</b>	2	<b>(228,207)</b>	(18,596)
Finance costs		(4,500)	(69)
Finance income		2	–
<b>LOSS BEFORE TAX</b>		<b>(232,705)</b>	(18,665)
Taxation	6	–	–
<b>LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(232,705)</b>	(18,665)
<b>Discontinued operations</b>			
Profit/(loss) after tax for the year from discontinued operations	16	1,238	(6,075)
<b>LOSS FOR THE YEAR</b>		<b>(231,467)</b>	(24,740)
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be subsequently reclassified to profit and loss</b>			
Currency translation loss		(245)	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(231,712)</b>	(24,740)
<b>Loss per share</b>			
Basic and diluted – earnings per share on continued operations			
– pence per share	4	(0.0688)	(0.0112)
Basic and diluted – earnings per share on total earnings			
– pence per share	4	(0.0684)	(0.0112)

The loss for the current and prior years and the total comprehensive income for the current and the prior years are wholly attributable to equity holders of the parent company.

# CONSOLIDATED AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

as at 31 March 2014

Registered number: 07220790

	Note	Group 31 March 2014 £	Group 31 March 2013 £	Company 31 March 2014 £	Company 31 March 2013 £
<b>NON-CURRENT ASSETS</b>					
Intangible assets	7	2,944,069	355,014	–	355,014
Property, plant and equipment	8	77,157	–	–	–
Amounts due from subsidiary undertakings		–	–	2,554,211	–
Investments in subsidiary undertakings	9	–	–	900,010	–
		<b>3,021,226</b>	<b>355,014</b>	<b>3,454,221</b>	<b>355,014</b>
<b>CURRENT ASSETS</b>					
Other receivables	10	82,994	5,476	73,330	5,476
Cash and cash equivalents	11	1,501,343	19,605	1,332,834	19,605
		<b>1,584,337</b>	<b>25,081</b>	<b>1,406,164</b>	<b>25,081</b>
<b>TOTAL ASSETS</b>		<b>4,605,563</b>	<b>380,095</b>	<b>4,860,385</b>	<b>380,095</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	12	(97,930)	(136,955)	(85,120)	(136,955)
<b>TOTAL LIABILITIES</b>		<b>(97,930)</b>	<b>(136,955)</b>	<b>(85,120)</b>	<b>(136,955)</b>
<b>NET ASSETS</b>		<b>4,507,633</b>	<b>243,140</b>	<b>4,775,265</b>	<b>243,140</b>
<b>EQUITY</b>					
Attributable to owners of the Parent:					
Share capital	13	240,700	54,804	240,700	54,804
Share premium account	13	4,527,078	249,825	4,527,078	249,825
Share based payment reserve		33,056	–	33,056	–
Translation reserve		(245)	–	–	–
Retained deficit		(292,956)	(61,489)	(25,569)	(61,489)
<b>TOTAL EQUITY</b>		<b>4,507,633</b>	<b>243,140</b>	<b>4,775,265</b>	<b>243,140</b>

The financial statements were approved and authorised for issue by the board of directors on 3 June 2014 and signed on its behalf by

Robert Wooldridge  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2014

Attributable to the owners of the Parent

	Note	Share capital £	Share premium account £	Retained deficit £	Share based payments reserve £	Translation reserve £	Total equity £
<b>GROUP</b>							
<b>At 31 March 2012</b>		48	49,995	(36,749)	–	–	13,294
<b>Comprehensive income</b>							
Loss for the year		–	–	(24,740)	–	–	(24,740)
<b>Total comprehensive income for the year</b>							
		–	–	(24,740)	–	–	(24,740)
<b>Transactions with owners</b>							
Proceeds from shares issued	13	7,813	242,188	–	–	–	250,001
Bonus issue of shares	13	46,800	(46,800)	–	–	–	–
Shares in settlement of services	13	143	4,442	–	–	–	4,585
<b>At 31 March 2013</b>		54,804	249,825	(61,489)	–	–	243,140
<b>Comprehensive income</b>							
Loss for the year		–	–	(231,467)	–	–	(231,467)
<b>Other comprehensive income</b>							
Currency translation loss		–	–	–	–	(245)	(245)
<b>Total comprehensive income for the year</b>							
		–	–	(231,467)	–	(245)	(231,712)
<b>Transactions with owners</b>							
Proceeds from shares issued	13	81,722	2,474,212	–	–	–	2,555,934
Share issue expenses	13	–	(416,933)	–	–	–	(416,933)
<b>Shares issued to purchase</b>							
Kodal Phosphate AS	13	78,125	1,671,875	–	–	–	1,750,000
Shares in settlement of services	13	26,049	548,099	–	–	–	574,148
Share based payment		–	–	–	33,056	–	33,056
<b>At 31 March 2014</b>		240,700	4,527,078	(292,956)	33,056	(245)	4,507,633

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2014

	Note	Share capital £	Share premium account £	Retained deficit £	Share based payments reserve £	Total equity £
<b>COMPANY</b>						
At 31 March 2012		48	49,995	(36,749)	–	13,294
<b>Comprehensive income</b>						
Loss for the year		–	–	(24,740)	–	(24,740)
Other comprehensive income		–	–	–	–	–
<b>Total comprehensive income for the year</b>		–	–	(24,740)	–	(24,740)
<b>Transactions with owners</b>						
Proceeds from shares issued	13	7,813	242,188	–	–	250,001
Bonus issue of shares	13	46,800	(46,800)	–	–	–
Shares in settlement of services		143	4,442	–	–	4,585
<b>At 31 March 2013</b>		54,804	249,825	(61,489)	–	243,140
<b>Comprehensive income</b>						
Profit for the year		–	–	35,920	–	35,920
<b>Total comprehensive profit for the year</b>		–	–	35,920	–	35,920
<b>Transactions with owners</b>						
Proceeds from shares issued	13	81,722	2,474,212	–	–	2,555,934
Share issue expenses	13	–	(416,933)	–	–	(416,933)
Shares issued to purchase Kodal Phosphate AS	13	78,125	1,671,875	–	–	1,750,000
Shares in settlement of services	13	26,049	548,099	–	–	574,148
Share based payment		–	–	–	33,056	33,056
<b>At 31 March 2014</b>		240,700	4,527,078	(25,569)	33,056	4,775,265

# CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CASH FLOWS

for the year ended 31 March 2014

	Group Year ended 31 March 2014 £	Group Year ended 31 March 2013 £	Company Year ended 31 March 2014 £	Company Year ended 31 March 2013 £
<b>Cash flows from operating activities</b>				
(Loss)/profit before tax	(232,705)	(18,665)	35,920	(18,665)
Adjustments for non-cash items:				
Share based payments	33,056	–	33,056	–
Operating cash flow before movements in working capital	(199,649)	(18,665)	68,976	(18,665)
<b>Movement in working capital</b>				
(Increase)/decrease in receivables	(77,518)	9,524	(67,854)	9,524
(Decrease)/increase in payables	(39,025)	118,806	(51,835)	118,806
Net movements in working capital	(116,543)	128,330	(119,689)	128,330
Net cash outflow from operating activities	(316,192)	109,665	(50,713)	109,665
<b>Cash flows from investing activities</b>				
Sale of intangible assets	–	–	900,000	–
Purchase of property, plant and equipment	(80,614)	–	–	–
Purchase of intangible assets	(441,950)	(343,728)	(153,848)	(343,728)
Disposal cost for discontinued operation	(3,762)	–	–	–
Investment in subsidiary undertakings	–	–	(900,000)	–
Loans to subsidiary undertakings	–	–	(804,211)	–
Net cash outflow from investing activities	(526,326)	(343,728)	(958,059)	(343,728)
<b>Cash flow from financing activities</b>				
Loan received	900,000	–	900,000	–
Loan repaid	(900,000)	–	(900,000)	–
Interest received	2	–	–	–
Interest paid	(4,500)	(69)	(4,500)	(69)
Net proceeds from share issues	2,326,501	250,001	2,326,501	250,001
Net cash inflow from financing activities	2,322,003	249,932	2,322,001	249,932
<b>Increase in cash and cash equivalents</b>	<b>1,479,485</b>	<b>15,869</b>	<b>1,313,229</b>	<b>15,869</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>19,605</b>	<b>3,736</b>	<b>19,605</b>	<b>3,736</b>
Exchange gain on cash	2,253	–	–	–
<b>Cash and cash equivalents at end of the year</b>	<b>1,501,343</b>	<b>19,605</b>	<b>1,332,834</b>	<b>19,605</b>

Cash and cash equivalents comprise cash on hand and bank balances.

# PRINCIPAL ACCOUNTING POLICIES

for the year ended 31 March 2014

The Group has adopted the accounting policies set out below in preparation of the financial statements. All of these policies have been applied consistently throughout the period unless otherwise stated.

## **Basis of preparation**

The consolidated financial statements of Kodal Minerals Plc are prepared in accordance with the historical cost convention and in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union ("EU") and in accordance with the provisions of the Companies Act 2006. The Company's ordinary shares are quoted on AIM, a market operated by the London Stock Exchange.

## **Going concern**

The Group has not earned revenue during the year to 31 March 2014 as it is still in the exploration and development phases of its business. The operations of the Group are currently being financed from funds which the Company has raised from the issue of new Shares.

As at 31 March 2014, the Group held cash balances of £1.5 million.

The Directors have prepared cash flow forecasts for the period ending 30 September 2015. The forecasts include the unavoidable running costs of the Group and limited discretionary exploration and development expenditure. The forecasts demonstrate that the Group has sufficient cash resources available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements without the need for a further fund raising. However, further fund raising will be required at an appropriate time in order to complete the project plan. Accordingly, the financial statements have been prepared on a going concern basis.

## **Basis of consolidation**

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the statement of financial position date. Subsidiary undertakings are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Company and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

## **Discontinued operations**

The Group reports the results of discontinued operations in the period in which they occur separately within the consolidated statement of income as "discontinued operations". All prior period consolidated statements of income are adjusted to report the results of the component within discontinued operations. In the consolidated statement of cash flows the cash flows resulting from discontinued operations are presented separately from cash flows resulting from continuing operations; prior year presentation has been adjusted accordingly.

## **Foreign currency translation**

Items included in the Group's consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in pounds sterling

("£"), which is the functional and presentational currency of the Parent Company and the presentational currency of the Group. End of year balances in the Group's Norwegian subsidiary undertakings were converted using and end of year rate of NOK 1 : £0.099980 (2013: there were no balances to convert).

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the reporting date and the gains or losses on translation are included in profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the original transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### **Deferred taxation**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

### **Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand.

### **Other receivables**

Other receivables are carried at original amount less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and the recoverable amount. Provisions for impairment of receivables are included in the profit and loss.

### **Trade and other payables**

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

## PRINCIPAL ACCOUNTING POLICIES (continued)

for the year ended 31 March 2014

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the costs of assets, over their estimated useful lives, using the straight line method, on the following basis:

Plant and machinery	4 years
Motor vehicles	4 years
Fixtures, fittings and equipment	4 years

Where property, plant and equipment are used in exploration and evaluation activities, the depreciation of the assets is capitalised as part of the cost of exploration and evaluation assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

### Exploration and evaluation expenditure

In accordance with IFRS 6, exploration and evaluation costs incurred before the Group obtains legal rights to explore in a specific area (a "project area") are taken to profit or loss.

Upon obtaining legal rights to explore in a project area, the fair value of the consideration paid for acquiring those rights and subsequent exploration and evaluation costs are capitalised as exploration and evaluation assets. The costs of exploring for and evaluating mineral resources are accumulated with reference to appropriate cost centres being project areas or groups of project areas.

Upon the technical feasibility and commercial viability of extracting the relevant mineral resources becoming demonstrable, the Group ceases further capitalisation of costs under IFRS 6.

Exploration and evaluation assets are not amortised prior to the conclusion of appraisal activities, but are carried at cost less impairment, where the impairment tests are detailed below.

Exploration and evaluation assets are carried forward until the existence (or otherwise) of commercial reserves is determined:

- where commercial reserves have been discovered, the carrying value of the exploration and evaluation assets are reclassified as development and production assets and amortised on an expected unit production basis; or
- where a project area is abandoned or a decision is made to perform no further work, the exploration and evaluation assets are written off in full to profit or loss.

### Exploration and evaluation – impairment

Project areas, or groups of project areas, are determined to be cash generating units for the purposes of assessment of impairment.

With reference to a project area or group of project areas, the exploration and evaluation assets (along with associated production and development assets) are assessed for impairment when such facts and circumstances suggest that the carrying amount of the assets may exceed the recoverable amount.

Such indicators include, but are not limited to, those situations outlined in paragraph 20 of IFRS 6 and include the point at which a determination is made as to whether or not commercial reserves exist.

The aggregate carrying value is compared against the expected recoverable amount, generally by reference to the present value of the future net cash flows expected to be derived from production of the commercial reserves.

### Intangible assets and impairment

Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives. Amortisation is charged so as to write off the costs of intangible assets, over their estimated useful lives, using the straight line method, on the following basis:

Software	3 years
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### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the increase of new shares or options are shown in equity as a deduction from the proceeds.

### Equity settled transactions

The Group has issued shares as consideration for services received. Equity settled share based payments are measured at fair value at the date of issue.

The Group has granted equity settled options. The cost of equity settled transactions is measured by reference to the fair value at the date on which they were granted and is recognised as an expense over the vesting period, which ends on the date the employee becomes fully entitled to the award. Fair value is determined by using the Black-Scholes option pricing model.

In valuing equity settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Parent Company (market conditions). Any other conditions which are required to be met in order for the Director and an external consultant to become fully entitled to an award are considered to be non-vesting conditions. Market performance conditions, non-vesting conditions are taken into account in determining the grant value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

At each reporting date before vesting, the cumulative expense is calculated; representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in the cumulative expense since the previous reporting date is recognised in the profit and loss, with a corresponding entry in equity.

Where the terms of the equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if the difference is negative.

Where an equity based award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of the cancellation, and the cost not yet recognised in profit and loss for the

## PRINCIPAL ACCOUNTING POLICIES (continued)

for the year ended 31 March 2014

award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense.

### Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors, which has been identified as the Chief Operating Decision Maker. The Board of Directors is responsible for allocating resources and assessing performance of the operating segments in line with the strategic direction of the company.

### Financial instruments

IFRS 7 requires information to be disclosed about the impact of financial instruments on the Group's risk profile, how the risks arising from financial instruments might affect the entity's performance, and how these risks are being managed.

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

The Group's policies include that no trading in derivative financial instruments shall be undertaken.

The required disclosures have been made in Note 15 to the accounts.

### Critical accounting judgements and estimates

The preparation of these consolidated financial statements in accordance with International Financial Reporting Standards requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. IFRSs also require management to exercise its judgement in the process of applying the Group's accounting policies.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are addressed below.

#### *Exploration and evaluation expenditure*

The Group has capitalised all expenditure incurred in relation to exploration and evaluation of the Kodal Project, a phosphate and titanomagnetite deposit in southern Norway which the Group is treating as a project area, in each period presented in the consolidated financial statements. The Company signed binding heads of terms in January 2012 to acquire the legal and beneficial ownership to licences which granted the right to explore and evaluate mineral resources in the Kodal Project area. Legal completion for this option agreement occurred in October 2012 and on 30 December 2013 the Company exercised its option to complete the licence acquisition. The Directors consider it appropriate to capitalise costs directly attributable to exploration and evaluation activities on the Kodal Project and has been doing so from January 2012 in accordance with the accounting policy for these costs. The carrying value of exploration and evaluation assets at 31 March 2014 was £2,944,069 (2013: £355,014) and the directors do not consider these assets to require impairment.

#### *Share based payments*

The Group has recorded charges for share based payments of £33,056 (2013: £nil).

For option based share based payments, management estimate certain factors used in the option pricing model, including volatility, exercise date of options and number of options likely to be exercised. If these estimates vary from actual occurrence, this will impact on the value of the equity carried in the reserves.

Further detailed analysis of the critical judgements and estimates relating to share based payments is addressed in Note 5.

#### *Going concern*

The Group has not earned revenue during the year to 31 March 2014 as it is still in the exploration and development phases of its business. The operations of the Group are currently being financed from funds which the Company has raised from the issue of new Shares.

As at 31 March 2014, the Group held cash balances of £1.5 million.

The Directors have prepared cash flow forecasts for the period ending 30 September 2015. The forecasts include the unavoidable running costs of the Group and limited discretionary exploration and development expenditure. The forecasts demonstrate that the Group has sufficient cash resources available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements without the need for a further fund raising. However, further fund raising will be required at an appropriate time in order to complete the project plan. Accordingly, the financial statements have been prepared on a going concern basis.

#### *Tetra option agreement (see note 5)*

An agreement between the Group and Tetra Minerals Oy ("Tetra"), granted to Tetra an option to subscribe for new Shares in the Company. The maximum number of Shares that are subject to the option is 714,285,714, corresponding to the number of Shares that would be issued for a total amount of £5 million at 0.7 pence per Share. The options vest and become exercisable only once the JORC indicated resource for phosphate minerals at the Kodal Project meets certain thresholds. Once vested, the options may be exercised by Tetra at a subscription price of 10p per Share for a period of three years after the date on which each tranche vests. If Kodal Phosphate AS relinquishes or does not renew the Kodal Project extraction licences before any of the options vest then those options will lapse.

The Board has reviewed the Tetra option arrangements and determined that the fair value of the Tetra options is nil on the grounds that the option distribution is dependent on thresholds associated with the JORC phosphate mineral resources, the first of which, 90m tonnes, is well beyond the size of the current targeted ore body, which has a JORC mineral resource of 48.9m tonnes. Unless and until further exploration of the Kodal Project identifies a further potential ore body the likelihood of the thresholds being met is considered to be remote.

#### **New standards and interpretations not applied**

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

The Board anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The new standards and interpretations are not expected to have a material impact on the Group's consolidated financial statements.

## PRINCIPAL ACCOUNTING POLICIES (continued)

for the year ended 31 March 2014

Standard	Details of amendment	Annual periods beginning on or after
IFRS 9 Financial Instruments	New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement.	1 January 2015
IFRIC 21 Levies	Clarifies that the obligating event that gives rise to a liability is the activity (as described in the relevant legislation) that triggers the payment of the levy.	1 January 2014
IFRS 2 Share-based payment	Amends the definition of "market condition" to include equity instruments of another entity in the same group. Separates the definitions of "performance condition" and "service condition" from the definition of "vesting condition". The definition of "performance condition"; (i) confirms performance conditions can be market or non-market conditions, (ii) aligns the performance period with the service period, (iii) clarifies that the service requirement can be implicit or explicit, and (iv) defines "performance target" to include targets based on equity instruments of another entity in the same group and that relate to performance of the whole, or part of, an entity, or group. The definition of "service condition" confirms that the failure to provide service for any reason (including termination of employment) is a failure to satisfy the service condition.	1 July 2014
IFRS 3 Business Combinations	Amended so all non-equity contingent consideration is measured at fair value at each reporting date with fair value changes recognised in profit or loss. Includes consequential amendments to exclude contingent consideration in a business combination from other measurement bases in IFRS 9, IAS 39 and IAS 37	1 July 2014
IFRS 8 Operating segments	Requires disclosure of the judgements made in aggregating operating segments including a description of the aggregated operating segments and economic indicators assessed. Clarifies that the reconciliation of total reportable segments' assets to the entity's assets is only required when segment assets are regularly provided to the chief operating decision maker.	1 July 2014
IAS 16 Property, plant and equipment	Permits the gross carrying amount of items measured under the revaluation model to be adjusted in a manner consistent with the revaluation of the carrying amount (e.g. by reference to market data or proportionately) with accumulated depreciation being the difference to the carrying amount after impairment losses	1 July 2014

There are other standards in issue but not yet effective, which are not likely to be relevant to the Group which have therefore not been listed.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

## 1. SEGMENTAL REPORTING

It is the opinion of the Directors that the operations of the Group and Company represent one segment, and are treated as such when evaluating its performance.

The Group's accounting policy is to capitalise exploration and evaluation expenditure on the Kodal Project in Norway. Consequently, the administrative expenses in the statement of comprehensive income reflect the administration costs necessary to run the Group and maintain its listing on the AIM market in the UK.

## 2. OPERATING LOSS

The operating loss is stated after charging:

	Group Year ended 31 March 2014 £	Group Year ended 31 March 2013 £
Audit services (Note 1)	20,000	–
Legal fees	29,351	1,003
Consultants	7,140	–
Other professional fees	55,030	874
Share based payment	33,056	–
Directors fees (Note 3)	35,767	–
Website costs	13,115	–
Stock exchange fees	8,550	–
Share register costs	5,184	–
Sundry	21,104	16,719
	<b>228,207</b>	<b>18,596</b>

Note 1: Amounts payable to Baker Tilly UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

	Group Year ended 31 March 2014 £	Group Year ended 31 March 2013 £
Audit services		
– statutory audit of parent and consolidated accounts	18,000	–
– statutory audit of subsidiaries	2,000	–
Taxation advisory services	3,600	–
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the company or any of its associates (Note 2)	42,500	–
	<b>66,100</b>	<b>–</b>

Note 2: These expenses were incurred as part of the admission of the Company's shares to trading on AIM in December 2013.

Note 3: £7,500 of Director's fees were paid in shares during April 2014.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

## 3. EMPLOYEES' AND DIRECTORS' REMUNERATION

Apart from the Directors who are considered to be the Group's key management personnel, there were no employees in the years to 31 March 2014 and 2013 respectively.

	Group Year ended 31 March 2014 £	Group Year ended 31 March 2013 £
Directors' remuneration	51,739	–
Directors' social security costs	2,996	–
<b>Total</b>	<b>54,735</b>	<b>–</b>

	Directors' salary and fees year ended 31 March 2014 £	Share based payments year ended 31 March 2014 £	Total year ended 31 March 2014 £
Luke Bryan (Note 1)	12,500	15,972	28,472
Guy Eastaugh	5,000	–	5,000
Markus Ekberg	767	–	767
Emin Eyi (Note 2)	5,000	–	5,000
David Jones	7,500	–	7,500
Robert Wooldridge (Note 3)	5,000	–	5,000
	<b>35,767</b>	<b>15,972</b>	<b>51,739</b>

No remuneration was paid to the Directors in the year to 31 March 2013.

Note 1: Novoco Mine Engineering Limited, a company owned by Luke Bryan, provided consultancy services to the Group during the year and received fees of £100,000 in cash plus 48,500,000 in Shares in the year ended 31 March 2014 (2013: £nil). Of these fees, £50,000 in cash and 43,500,000 in Shares were success payments that were conditional on the completion of the Company's admission to AIM.

Note 2: The £5,000 fee paid to Emin Eyi will be settled by the issuance of 672,949 Shares at a price of 0.743 pence per Share. These Shares were not issued at the year end.

Note 3: £2,500 of the £5,000 fee paid to Robert Wooldridge will be settled by the issuance of 336,472 Shares at a price of 0.743 pence per Share. These Shares were not issued at the year end.

#### 4. EARNINGS PER SHARE

Basic loss per Share is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year:

The following reflects the income and share data used in the basic EPS computations:

	Earnings per Share on continued operations £	Earnings per Share on total earnings	Weighted average number of Shares	Basic earnings per Share (pence)
Year ended 31 March 2014	(232,705)	–	338,258,503	0.0688
Year ended 31 March 2014	–	(231,467)	338,258,503	0.0684
Year ended 31 March 2013	–	(18,665)	166,542,947	0.0112

Diluted loss per Share is calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary Shares outstanding during the year plus the weighted average number of ordinary Shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary Shares. Options in issue are not considered diluting to the earnings per Share as the Group is currently loss making. Diluted loss per Share is therefore the same as the basic loss per Share.

#### 5. SHARE BASED PAYMENTS

##### Share-based payments

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

	Year ended 31 March 2014 £	Year ended 31 March 2013 £
<b>Share options outstanding</b>		
Opening balance	–	–
Issued in the period	40,000,000	–
Closing balance	40,000,000	–

##### Options issued in the period

Under an option agreement between the Group and Novoco Mine Engineering Limited (“Novoco”), a company wholly owned by Luke Bryan, the Group granted to Novoco options over 25,000,000 Shares (“Option Shares”) at an exercise price of 0.7 pence per Share. The options become exercisable in respect of one third of the total number of Option Shares on each of the first, second and third anniversaries of 30 December 2013. The options are exercisable for a period of ten years from the date on which they vest and become exercisable.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

## 5. SHARE BASED PAYMENTS (continued)

Under an option agreement between the Group and David Hakes, a consultant to the Company, the Group granted to David Hakes options over 15,000,000 Shares ("Option Shares") at an exercise price of 0.7 pence per Share. The options becomes exercisable in respect of one third of the total number of Option Shares on each of the first, second and third anniversaries of 30 December 2013. The options are exercisable for a period of ten years from the date on which they vest and become exercisable.

Details of share options outstanding at 31 March 2014:

Date of grant	Number of options	Option price	Exercisable between
30 December 2013	13,333,333	0.7 pence	30 Dec 2014 – 30 Dec 2024
30 December 2013	13,333,333	0.7 pence	30 Dec 2015 – 30 Dec 2025
30 December 2013	13,333,333	0.7 pence	30 Dec 2016 – 30 Dec 2026

Included within administration expenses is a charge for issuing share options and making share based payments of £33,056 (2013: nil) which was recognised in accordance with the Group's accounting policies.

Additional disclosure information:

Weighted average exercise price of share options:

- outstanding at the beginning of the period N/A
- granted during the period 0.7 pence
- outstanding at the end of the period 0.7 pence
- exercisable at the end of the period N/A

Weighted average remaining contractual life of share options outstanding at the end of the period 12.01 years

The share options granted during the period were valued at £169,333 at date of grant with reference to the Black-Scholes option pricing model taking into account the input assumptions as outlined below:

Dates issued	30 December 2013
Share price	0.7 pence
Exercise price	0.7 pence
Expected volatility	the options were granted on the day the Company's Shares were admitted to trading on AIM. There is therefore no historical volatility for the Shares on the date of issue of the options. A volatility of 50% has been chosen as an approximation of the volatility for the shares of a junior mining company trading on AIM.
Vesting period ranging from	30 December 2014 to 30 December 2016
Expected dividends	Nil
Risk free interest rate ranging from	2.897% to 3.062

A share based payment charge of £33,056 (2013: £nil) has been recognised in the profit and loss in the year in relation to these options.

## Tetra Option Agreement

The Group has granted to Tetra Minerals Oy ("Tetra") an option to subscribe for new Shares. The maximum number of Shares that are subject to the option is 714,285,714, corresponding to the number of Shares that would be issued for a total amount of £5 million at the 0.7 pence per Share. The options vest and become exercisable only once the JORC indicated resource for phosphate minerals at the Kodal Project meet certain thresholds. These are as follows:

JORC Indicated Mineral Resource threshold reached of Tonnes of phosphate minerals	Proportion of maximum number Option Shares that will vest (%)
90,000,000	20
110,000,000	20
130,000,000	20
150,000,000	20
170,000,000	20

Once vested, the option may be exercised by Tetra at a subscription price of 10p per Share for a period of three years after the date on which each tranche vests. If Kodal Phosphate AS relinquishes or does not renew the Kodal Project extraction licences before any of the options vest then those options will lapse.

The Board has reviewed the Tetra option arrangements and determined that the fair value of the Tetra options is nil on the grounds that the option distribution is dependent on thresholds associated with the JORC phosphate mineral resources, the first of which, 90m tonnes, is well beyond the size of the current targeted ore body, which has a JORC mineral resource of 48.9m tonnes. Unless and until further exploration of the Kodal Project identifies a further potential ore body the likelihood of the thresholds being met is considered to be remote.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

## 6. TAXATION

	Group Year ended 31 March 2014 £	Group Year ended 31 March 2013 £
Taxation charge for the year	–	–
<b>Factors affecting the tax charge for the year</b>		
Loss from continuing operations before income tax	(232,705)	(18,665)
Tax at 20% (2013: 20%)	(46,541)	(3,733)
Expenses not deductible	53,949	2,617
Overseas rate differences	(105)	–
Gain not taxable	(53,216)	–
Losses carried forward not deductible	40,801	1,116
Temporary differences not recognised for deferred tax	5,112	–
<b>Income tax expense</b>	–	–

The Group has tax losses and other deferred tax assets totalling £51,000 (2013: £16,000) which will be able to be offset against future income. No deferred tax asset has been recognised in respect of these losses as the timing of their utilisation is uncertain at this stage.

## 7. INTANGIBLE ASSETS

GROUP	Exploration and evaluation £	Software £	Total £
<b>COST</b>			
At 1 April 2013	355,014	–	355,014
Additions in the year	2,566,060	27,295	2,593,355
Effects of foreign exchange	63	–	63
<b>At 31 March 2014</b>	<b>2,921,137</b>	<b>27,295</b>	<b>2,948,432</b>
<b>AMORTISATION</b>			
At 31 March 2013	–	–	–
Amortisation charge	–	4,363	4,363
<b>At 31 March 2014</b>	<b>–</b>	<b>4,363</b>	<b>4,363</b>
<b>NET BOOK VALUES</b>			
At 31 March 2014	2,921,137	22,932	2,944,069
At 31 March 2013	355,014	–	355,014

GROUP	Exploration and evaluation £	Software £	Total £
<b>COST</b>			
At 1 April 2012	12,707	–	12,707
Additions in the year	342,307	–	342,307
<b>At 31 March 2013</b>	<b>355,014</b>	<b>–</b>	<b>355,014</b>
<b>AMORTISATION</b>			
At 31 March 2012 and 31 March 2013	–	–	–
<b>NET BOOK VALUES</b>			
At 31 March 2013	355,014	–	355,014
At 31 March 2012	–	–	–

The additions to Exploration and Evaluation category represent the costs incurred by the Group in relation to the Kodal Project including the cost of the exploration licences of £1,833,295 acquired through the purchase of Kodal Phosphate AS.

COMPANY	Exploration and evaluation £	Software £	Total £
<b>COST</b>			
At 1 April 2013	355,014	–	355,014
Additions in the year	1,833,295	–	1,833,295
Disposals in the year	(2,188,309)	–	(2,188,309)
<b>At 31 March 2014</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>AMORTISATION</b>			
At 31 March 2013 and 31 March 2014	–	–	–
<b>NET BOOK VALUES</b>			
At 31 March 2014	–	–	–
At 31 March 2013	355,014	–	355,014

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

## 7. INTANGIBLE ASSETS (continued)

COMPANY	Exploration and evaluation £	Software £	Total £
<b>COST</b>			
At 1 April 2012	12,707	–	12,707
Additions in the year	342,307	–	342,307
<b>At 31 March 2013</b>	<b>355,014</b>	<b>–</b>	<b>355,014</b>
<b>AMORTISATION</b>			
At 31 March 2012 and 31 March 2013	–	–	–
<b>NET BOOK VALUES</b>			
At 31 March 2013	355,014	–	355,014
At 31 March 2012	12,707	–	12,707

The disposal represents the sale by the Company of the Kodal Project assets to a subsidiary undertaking.

## 8. PROPERTY, PLANT AND EQUIPMENT

GROUP	Fixtures, fittings and equipment £	Plant and machinery £	Motor vehicles £	Total £
<b>COST</b>				
At 1 April 2012 and 2013	–	–	–	–
Additions in the year	41,874	15,579	23,161	80,614
Effects of foreign exchange	143	27	417	587
<b>At 31 March 2014</b>	<b>42,017</b>	<b>15,606</b>	<b>23,578</b>	<b>81,201</b>
<b>DEPRECIATION</b>				
At 1 April 2012 and 2013	–	–	–	–
Depreciation charge	2,837	136	1,056	4,029
Effects of foreign exchange	4	2	9	15
<b>At 31 March 2014</b>	<b>2,841</b>	<b>138</b>	<b>1,065</b>	<b>4,044</b>
<b>NET BOOK VALUES</b>				
At 31 March 2014	39,176	15,468	22,513	77,157
At 31 March 2012 and 31 March 2013	–	–	–	–

The Company did not have any Property, Plant and Equipment as at 31 March 2012, 2013 and 2014.

## 9. SUBSIDIARY ENTITIES

The consolidated financial statements include the following subsidiary companies:

Company	Subsidiary of	Country of incorporation	Equity holding	Nature of Business
Kodal Norway (UK) Ltd	Kodal Minerals Plc	United Kingdom	100%	Operating company
Kodal Mining AS	Kodal Norway (UK) Ltd	Norway	100%	Mining exploration
Kodal Phosphate AS	Kodal Norway (UK) Ltd	Norway	100%	Mining exploration
			<b>Year ended</b>	<b>Year ended</b>
<b>Carrying value of investment in subsidiaries</b>			<b>31 March 2014</b>	<b>31 March 2013</b>
Opening balance			–	–
Additions			900,010	–
Closing balance			900,010	–

## 10. OTHER RECEIVABLES

	Group 31 March 2014 £	Group 31 March 2013 £	Company 31 March 2014 £	Company 31 March 2013 £
Other receivables	82,994	5,476	73,330	5,476
	82,994	5,476	73,330	5,476

All receivables at each reporting date are current. No receivables are past due. The Directors consider that the carrying amount of the other receivables approximates their fair value.

## 11. CASH AND CASH EQUIVALENTS

	Group 31 March 2014 £	Group 31 March 2013 £	Company 31 March 2014 £	Company 31 March 2013 £
Cash and cash equivalents	1,501,343	19,605	1,332,834	19,605
	1,501,343	19,605	1,332,834	19,605

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

## 12. TRADE AND OTHER PAYABLES

	Group 31 March 2014 £	Group 31 March 2013 £	Company 31 March 2014 £	Company 31 March 2013 £
Trade payables	70,445	52,073	57,636	52,073
Other payables	27,485	84,882	27,484	84,882
	<b>97,930</b>	136,955	<b>85,120</b>	136,955

All trade and other payables at each reporting date are current. The Directors consider that the carrying amount of the trade and other payables approximates their fair value.

## 13. ORDINARY SHARES

Allotted, issued and fully paid:

	Nominal Value	Number of Ordinary Shares	Share Capital £	Share Premium £
<b>At 31 March 2012</b>	<b>£0.01</b>	<b>4,800</b>	<b>48</b>	<b>49,995</b>
Bonus issue (Note 1)	4,680,000	46,800	(46,800)	
		4,684,800	46,848	3,195
Share split (Note 2)	£0.0003125	149,913,600	46,848	3,195
Issue (Note 3)	£0.0003125	25,000,000	7,813	242,188
Issue (Note 4)	£0.0003125	458,542	143	4,442
<b>At 31 March 2013</b>	<b>£0.0003125</b>	<b>175,372,142</b>	<b>54,804</b>	<b>249,825</b>
Issue (Note 5)	£0.0003125	7,500,000	2,344	72,656
Issue (Note 6)	£0.0003125	18,654,500	5,828	300,105
Issue (Note 7)	£0.0003125	2,750,000	859	41,041
Issue (Note 8)	£0.0003125	2,821,150	882	18,866
Issue (Note 9)	£0.0003125	43,500,000	13,594	236,406
Issue (Note 10)	£0.0003125	26,785,715	8,371	179,129
Issue (Note 11)	£0.0003125	250,000,000	78,125	1,671,875
Issue (Note 12)	£0.0003125	142,857,240	44,643	955,358
Issue (Note 13)	£0.0003125	100,000,000	31,250	1,218,750
Share issue costs		–	–	(416,933)
<b>At 31 March 2014</b>		<b>770,240,747</b>	<b>240,700</b>	<b>4,527,078</b>

Share issue costs have been allocated against the Share Premium reserve.

- Note 1: On 31 July 2012, there was a bonus issue of 975 ordinary shares of £0.01 each for each ordinary share in issue on 24 July 2012. The bonus issue was funded from the share premium account.
- Note 2: On 31 July 2012, each ordinary share of the Company of £0.01 was split into 32 new ordinary Shares of £0.0003125 each.
- Note 3: On 16 October 2012, 25,000,000 Shares were issued at 1.0 pence per share.
- Note 4: On 28 March 2013, 458,542 Shares were issued to a supplier of the Company in settlement of services provided to the Company by that supplier. These shares were issued at 1.0 pence each.
- Note 5: On 8 April 2013 7,500,000 Shares were issued to two separate suppliers of the Company in settlement of their services provided to the Company by the suppliers. These shares were issued at 1.0 pence each.
- Note 6: Between April and July 2013 a further 18,654,500 Shares were issued at a price of 1.64 pence, raising £305,933.80 in additional capital.
- Note 7: On 18 July 2013 2,750,000 Shares were issued to a supplier of the Company in settlement of services provided to the Company by that supplier. 500,000 Shares were issued at 1.0 pence and 2,250,000 Shares at 1.64 pence.
- Note 8: On 25 November 2013, a total of 2,821,150 Shares were issued to two separate suppliers of the Company in settlement of their services provided to the Company at an issue price of 0.7 pence per Share.
- Note 9: Under a consultancy agreement dated 8 November 2013 between Novoco Mine Engineering Limited and the Company, 43,500,000 Shares were issued on 30 December 2013 at 0.5747 pence per Share for services provided to the Company.
- Note 10: Under arrangements entered into by the Company with Thomas Eggar LLP, Allenby Capital limited and SP Angel Corporate Finance LLP, a total of 26,785,715 Shares were issued on 30 December 2013 at 0.7 pence per Share for services provided in relation to the admission of the Company to trading on AIM.
- Note 11: Under the share acquisition agreement dated 12 October 2012 between Tetra Minerals Oy and the Company, the Company acquired all of the issued and to be issued share capital of Kodal Phosphate AS on completion of the Company's admission to AIM for a consideration consisting of:
- (a) the sum of €100,000 payable in cash;
  - (b) the sum of £1,750,000 satisfied by the issue of 250,000,000 Shares at 0.7 pence per Share.
- Note 12: On the 30 December 2013, 142,857,240 Shares were issued and allotted at 0.7 pence per Share in a placing at the time of the admission of the Company's Shares to trading on AIM.
- Note 13: On 10 January 2014, 100,000,000 Shares were issued at 1.25 pence per Share in a placing.

#### 14. RESERVES

Reserve	Description and purpose
Share capital	Amount of the contributions made by shareholders in return for the issue of shares.
Share premium	Amount subscribed for share capital in excess of nominal value.
Share based payment reserve	Comprises the fair value of options and share rights recognised as an expense. Upon exercise of options or share rights, any proceeds received are credited to share capital. The share-based payment reserve remains as a separate component of equity.
Foreign exchange reserve	Gains/losses arising on re-translating the net assets of overseas operations into sterling.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

## 15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise cash and cash equivalents, other receivables and trade and other payables.

The main purpose of cash and cash equivalents is to finance the Group's operations. The Group's other financial assets and liabilities such as other receivables and trade and other payables, arise directly from its operations.

It has been the Group's policy, throughout the periods presented in the consolidated financial statements, that no trading in financial instruments was to be undertaken, and no such instruments were entered in to.

The main risk arising from the Group's financial instruments is market risk. The Directors consider other risks to be more minor, and there are summarised below. The Board reviews and agrees policies for managing each of these risks.

### Market risk

Market risk is the risk that changes in market prices, and market factors such as foreign exchange rates and interest rates will affect the Group's income or the value of its assets and liabilities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

### Interest rate risk

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's cash and cash equivalents with a floating interest rate. These financial assets with variable rates expose the Group to interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing.

In regard to its interest rate risk, the Group periodically analyses its exposure. Within this analysis consideration is given to alternative investments and the mix of fixed and variable interest rates. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

The Group in the year to 31 March 2014 earned only £2 in interest. The very low interest rates available in the market of between 0.10% and 0.6% on a cash balance of circa £1 million would earn the Group between £1,000 and £6,000 in a single year. The Group is therefore insensitive to any interest rate risk.

Interest rate risk is measured as the value of assets and liabilities at fixed rate compared to those at variable rate.

## Financial instruments by category

	Loans and receivables £	Other financial liabilities at amortised cost £	Total £
<b>31 March 2014</b>			
<b>Assets</b>			
Other receivables	82,994	–	82,994
Cash and cash equivalents	1,501,343	–	1,501,343
<b>Total</b>	1,584,337	–	1,584,337
<b>Liabilities</b>			
Trade and other payables	–	97,930	97,930
<b>Total</b>	–	97,930	97,930
<b>31 March 2013</b>			
<b>Assets</b>			
Trade and other receivables	5,476	–	5,476
Cash and cash equivalents	19,605	–	19,605
<b>Total</b>	25,081	–	25,081
<b>Liabilities</b>			
Trade and other payables	–	136,955	136,955
<b>Total</b>	–	136,955	136,955

## Foreign exchange risk

Throughout the periods presented in the consolidated financial statements, the functional currency for the Group's Norwegian subsidiaries has been the Norwegian Kronor.

The Group incurs certain exploration costs in Norwegian Kronor on the Kodal Project, and has exposure to foreign exchange rates prevailing at the dates when Sterling funds are transferred into Norwegian Kronor. The Group has not hedged against this foreign exchange risk as the Directors do not consider that the level of exposure poses a significant risk.

The Group continues to keep the matter under review as further exploration and evaluation work is performed on the Kodal Project, and will develop currency risk mitigation procedures if the significance of this risk materially increases.

The Group's consolidated financial statements are largely insensitive to a change in the Sterling to Norwegian Kroner exchange rate due to low value of assets and liabilities (principally cash balances) maintained in Norwegian Kroner. Furthermore for the next 12 months the Group is expected to incur mainly Sterling denominated expenditure. Once the Kodal Project moves into the development phase a greater proportion of expenditure is expected to be Kroner denominated which may increase the foreign exchange risk.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

## 15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

### Financial instruments by currency

	GBP denominated	NOK denominated £	Total £
<b>31 March 2014</b>			
<b>Assets</b>			
Other receivables	73,330	9,664	82,994
Cash and cash equivalents	1,332,834	168,509	1,501,343
<b>Total</b>	<b>1,406,164</b>	<b>178,173</b>	<b>1,584,337</b>
<b>Liabilities</b>			
Trade and other payables	85,121	12,809	97,930
<b>31 March 2013</b>			
<b>Assets</b>			
Trade and other receivables	5,476	–	5,476
Cash and cash equivalents	19,605	–	19,605
<b>Total</b>	<b>25,081</b>	<b>–</b>	<b>25,081</b>
<b>Liabilities</b>			
Trade and other payables	136,955	–	136,955

### Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

The Group has established policies and processes to manage liquidity risk. These include:

- Monitoring the maturity profiles of financial assets and liabilities in order to match inflows and outflows;
- Monitoring liquidity ratios (working capital); and
- Capital management procedures, as defined below.

### Capital management

The Group's objective when managing capital is to ensure that adequate funding and resources are obtained to enable it to develop its projects through to profitable production, whilst in the meantime safeguarding the Group's ability to continue as a going concern. This is to enable the Group, once projects become commercially and technically viable, to provide appropriate returns for shareholders and benefits for other stakeholders.

The Group has historically relied on equity to finance its growth and exploration activity, raised through the issue of Shares. After admission to the AIM market of the London Stock Exchange the Board will utilise financing sources, be that debt or equity, that best suits the Group's working capital requirements and taking into account the prevailing market conditions.

### **Fair value**

The fair value of the financial assets and financial liabilities of the Group, at each reporting date, approximates to their carrying amount as disclosed in the Statement of Financial Position and in the related notes.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The cash and cash equivalents, other receivables, trade payables and other current liabilities approximate their carrying value amounts largely due to the short-term maturities of these instruments.

## **16. DISCONTINUED OPERATIONS**

During the year to 31 March 2013, the Group held a 74% shareholding in a South African subsidiary, Clear Phosphate Minerals (Pty) Limited ("CPM"). CPM was established to explore for phosphate in South Africa and all of its funding was provided by the Group. CPM incurred costs as a result of legal and consultancy work to secure an exploration licence, which was not subsequently granted. In early 2013 the Directors decided to close CPM. All balances due from CPM to the Group were written off as incurred and as at 31 March 2013 a £5,000 provision was made by the Group for closure costs of CPM. Finalisation of CPM's tax position and the company closure process took longer than expected with CPM formally being removed from the Registrar of Companies in South Africa in December 2013. At 31 March 2013 CPM had assets of £177 comprising cash at bank. This balance was used to part settle the costs of closure.

During the year to 31 March 2013 there was a charge to the accounts of Kodal Minerals Plc of £6,075 reflecting the costs of operations and closure of CPM. During the year to 31 March 2014 an amount of £1,238 was written back to profit and loss, representing the unused accrual from the original £5,000 provision to close CPM. These amounts have been shown on the consolidated statement of comprehensive income as discontinued operations in line with the Group's accounting policy.

## **17. RELATED PARTY TRANSACTIONS**

During the year to 31 March 2014, the Company issued 5,000,000 Shares at 0.01 pence per Share and 43,500,000 Shares at a price of 0.5747 pence per Share to Novoco Mine Engineering Limited as payment for services valued at £50,000 and £250,000 respectively. Novoco Mine Engineering Limited is a company wholly owned by Luke Bryan.

During the year to 31 March 2014, Robert Wooldridge, a Director, subscribed for 28,571,430 Shares in the IPO at a price of 0.7 pence per Share.

During the year ended 31 March 2014, GEE Consulting Limited, a company wholly owned by Guy Eastaugh, subscribed for 2,857,150 Shares at a price of 0.7 pence per Share.

### **Transactions with subsidiary companies**

#### *Kodal Mining AS*

Kodal Mining AS was incorporated on 13 June 2013 in Norway as a wholly owned subsidiary of the Company. On 13 February 2014 it was sold to Kodal Norway (UK) Limited, another wholly owned subsidiary of the Company. During the year ended 31 March 2014, £223,420 (2013: Nil) was advanced as a loan to Kodal Mining AS by the Company to support ongoing activity.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2014

## 17. RELATED PARTY TRANSACTIONS (continued)

### *Kodal Norway (UK) Limited*

Kodal Norway (UK) Limited is a wholly owned subsidiary of the Company incorporated in England. On 13 February 2014 Kodal Norway (UK) Limited acquired from the Company its two Norwegian subsidiaries, Kodal Phosphate AS and Kodal Mining AS for consideration of £1,835,369 and £5,000 respectively. The Directors consider that the consideration paid for each company was equal to the fair value of the assets and liabilities acquired. The Company recognised a profit of £nil on the sale of each company.

During the year ended 31 March 2014, the Company purchased assets for a cost £47,603 (2013: £nil) on behalf of Kodal Norway (UK) Limited which it subsequently sold to Kodal Norway (UK) Limited at cost.

### *Sale of exploration assets to Kodal Norway (UK) Limited*

In December 2013 Kodal Minerals Plc sold all the tangible and intangible assets relating to the Kodal Project to Kodal Norway (UK) Limited for a sum of £900,000. These assets and knowhow were the result of exploration and evaluation work undertaken by Kodal Minerals Plc on the Kodal Project. Kodal Minerals Plc recorded a profit on this sale of £266,079. Kodal Norway (UK) Limited is the operating company for the Kodal Project.

### *Kodal Phosphate AS*

During the year ended 31 March 2014 Kodal Mining AS incurred expenses on behalf of Kodal Phosphate AS of £895. Following the closure of Kodal Phosphate's bank account, the balance of the bank account £2,098 was transferred to Kodal Mining AS.

Kodal Minerals Plc also paid annual licence costs on behalf of Kodal Phosphate AS of £1,434 during the year ended 31 March 2014 (2013: £nil).

### **Transactions with related parties**

Robert Wooldridge, a Director, is a member of SP Angel Corporate Finance LLP ("SP Angel") which acts as Financial Adviser and Broker to the Company. During the year ended 31 March 2014 the Company issued 17,857,143 ordinary shares to SP Angel at 0.7 pence per Share as payment for advisory services and placing commission in relation to the placing and admission of the Company's Shares to trading on AIM. In addition, during the year ended 31 March 2014, the Company has paid fees to SP Angel of £62,500 (2013: £nil) as commission for placing Shares and has paid it £6,250 (2013: £nil) for its services as broker since the admission to AIM.

SP Angel was reimbursed by the Group for travel expenses in the year to 31 March 2013 of £2,493.

In October 2012, SP Angel subscribed for 1,500,000 Shares at a price of 1.0 pence per Share.

Furthermore in the years to 31 March 2014 and 31 March 2013 SP Angel was reimbursed by the Group £19,117 and £69,845 respectively for expenses paid by it on behalf of the Group.

Novoco Mine Engineering Limited, a company wholly owned by Luke Bryan, provided consultancy services to the Group during the year and received fees of £100,000 in cash plus 48,500,000 in Shares in the year ended 31 March 2014 (2013: £nil). Of these fees, £50,000 in cash and 43,500,000 in Shares were success payments that were conditional on completion of the Company's admission to AIM. During the year to 31 March 2014 Novoco was reimbursed £32,783 for expenses (2013: £nil). At 31 March 2014 £14,500 was owed by the group to Novoco which was paid in April 2014.

## **18. CONTROL**

No one party is identified as controlling the Group.

## **19. POST BALANCE SHEET EVENTS**

On 17 April 2014 the Group issued 2,358,681 Shares at a price of 0.743 pence per Share to Emin Eyi, a Director of the Group (672,949 Shares), Robert Wooldridge, a Director of the Group (336,472 Shares) both in lieu of director's fees and a consultant to the Group (1,349,260 Shares) as part payment of services to the Company.

# NOTICE OF ANNUAL GENERAL MEETING

## Kodal Minerals plc

*(Registered in England and Wales No. 07220790)*

Notice is hereby given that the Annual General Meeting of Kodal Minerals plc (the “**Company**”) will be held at the offices of Field Fisher Waterhouse LLP, 9th Floor, Riverbank House, 2 Swan Lane, EC4R 3TT on 6 August 2014 at 12.30 p.m. for the purposes of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 to 9 (inclusive) will be proposed as ordinary resolutions and Resolutions 10 and 11 will be proposed as special resolutions:

### Ordinary Business

1. To receive and adopt the audited financial statements of the Company for the financial period ended 31 March 2014 and the reports of the directors of the Company (the “**Directors**”) and the auditors thereon.
2. To re-appoint Ismail Emin Eyi as a director of the Company, who retires in accordance with article 24.2 of the articles of association of the Company (the “**Articles**”) and offers himself for re-appointment.
3. To re-appoint Luke Robert Bryan as a director of the Company, who retires in accordance with article 24.2 of the Articles and offers himself for re-appointment.
4. To re-appoint Robert Ian Wooldridge as a director of the Company, who retires in accordance with article 24.2 of the Articles and offers himself for re-appointment.
5. To re-appoint Guy Edward Eastaugh as a director of the Company, who retires in accordance with article 24.2 of the Articles and offers himself for re-appointment.
6. To re-appoint David Harold Jones as a director of the Company, who retires in accordance with article 24.2 of the Articles and offers himself for re-appointment.
7. To re-appoint Karl Markus Lennart Ekberg as a director of the Company, who retires in accordance with article 24.2 of the Articles and offers himself for re-appointment.
8. To re-appoint Baker Tilly UK Audit LLP as the auditors of the Company until the next Annual General Meeting and to authorise the Directors to fix their remuneration.

### Special Business

9. That the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “**Act**”) to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company (“**Rights**”) up to a maximum aggregate nominal amount of £242,140.45 and this authority will (unless renewed, revoked or varied by the Company in general meeting) expire at the conclusion of the Annual General Meeting of the Company to be held in 2015 but the Company may, before this authority expires, make an offer or agreement which would or might require shares to be allotted or Rights to be granted after the authority expires and the Directors may allot shares or grant Rights pursuant to such offer or agreement as if the authority conferred hereby had not expired, such authority to be in substitution for any existing authorities conferred on the Directors pursuant to section 551 of the Act.

10. That, conditional on the passing of Resolution 9, the Directors be and they are hereby generally empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by Resolution 9 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be in substitution for any previous powers conferred on the Directors pursuant to section 570 of the Act and shall be limited to:

- (a) the allotment of equity securities in connection with an issue in favour of the holders of ordinary shares of the Company in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange in any territory; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £121,070.22,

and the power hereby granted shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2015 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry but otherwise in accordance with the foregoing provisions of this power in which case the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

11. That article 6.1 of the Articles be amended to read:

*“6.1 The share capital of the Company consists of an unlimited number of ordinary shares of £0.0003125 each (the “**Ordinary Shares**”).”*

so as to accurately reflect the correct nominal value of the Ordinary Shares of the Company.

BY ORDER OF THE BOARD  
Weaver Financial Limited  
Company Secretary

*Registered Office:*  
Prince Frederick House  
35-39 Maddox Street  
London W1S 2PP

14 July 2014

# NOTICE OF ANNUAL GENERAL MEETING (continued)

## Notes:

### *Entitlement to attend, speak and vote*

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and paragraph 18 (c) Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, the Company has specified that only those members entered on the register of members at 12.30 p.m. on 4 August 2014 (or in the event that this meeting is adjourned, on the register of members 48 hours excluding non-business days before the time of any adjourned meeting) shall be entitled to attend, speak and vote at the meeting in respect of the number of ordinary shares in the capital of the Company held in their name at that time. Changes to the register after 12.30 p.m. on 4 August 2014 shall be disregarded in determining the rights of any person to attend, speak and vote at the meeting.

### *Appointment of proxies*

2. Members are entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Please see the instructions on the enclosed Form of Proxy.
3. The completion and return of a Form of Proxy whether in hard copy form or in CREST will not preclude a member from attending in person at the meeting and voting should he or she wish to do so.

### *Appointment of proxies using hardcopy proxy form*

4. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you) in the boxes indicated on the form. Please also indicate if the proxy instruction is one of multiple instructions being given. To appoint more than one proxy please see the instructions on the enclosed Form of Proxy. All forms must be signed and should be returned together in the same envelope.
5. To be valid, the Form of Proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the offices of the Company's registrars, Share Registrars Limited, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL by hand, or sent by post, so as to be received not less than 48 hours excluding non-business days before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be).

### *Appointment of proxies using CREST*

6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: 7RA36) by 12.30 p.m. on 4 August 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### *Corporate representatives*

10. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

#### *Resolutions*

11. Resolution 1 – This resolution seeks approval from shareholders of the directors' and auditors' reports and the financial statements for the year ended 31 March 2014.
12. Resolution 2 – This resolution seeks approval from shareholders to re-appoint Ismail Emin Eyi as a director of the Company who retires and offers himself for re-appointment pursuant to Article 24.2 of the Company's Articles of Association.
13. Resolution 3 – This resolution seeks approval from shareholders to re-appoint Luke Robert Bryan as a director of the Company who retires and offers himself for re-appointment pursuant to Article 24.2 of the Company's Articles of Association.
14. Resolution 4 – This resolution seeks approval from shareholders to re-appoint Robert Ian Wooldridge as a director of the Company who retires and offers himself for re-appointment pursuant to Article 24.2 of the Company's Articles of Association.
15. Resolution 5 – This resolution seeks approval from shareholders to re-appoint Guy Edward Eastaugh as a director of the Company who retires and offers himself for re-appointment pursuant to Article 24.2 of the Company's Articles of Association.
16. Resolution 6 – This resolution seeks approval from shareholders to re-appoint David Harold Jones as a director of the Company who retires and offers himself for re-appointment pursuant to Article 24.2 of the Company's Articles of Association.
17. Resolution 7 – This resolution seeks approval from shareholders to re-appoint Karl Markus Lennart Ekberg as a director of the Company who retires and offers himself for re-appointment pursuant to Article 24.2 of the Company's Articles of Association.
18. Resolution 8 – This resolution seeks approval from shareholders to reappoint Baker Tilly UK Audit LLP as the auditors of the Company and to authorise the directors to fix their remuneration as they see fit.
19. Resolution 9 – This resolution, to be proposed as an ordinary resolution, relates to the grant to the Directors of the authority to allot ordinary shares and grant rights to subscribe for or convert securities into ordinary shares with such authority expiring at the conclusion of the Annual General Meeting of the Company to be held in 2015, unless the authority is renewed or revoked prior to such time. This authority is limited to the issue of a maximum of 774,849,428 ordinary shares (representing approximately 100 per cent. of the Company's entire issued share capital as at the date of this notice).
20. Resolution 10 – The Companies Act 2006 (the "**Act**") requires that, if the Directors decide to allot ordinary shares in the Company for cash, the shares proposed to be issued be first offered to existing shareholders in proportion to their existing holdings. These are known as shareholders' pre-emption rights. However, to act in the best interests of the Company the Directors may require flexibility to allot shares for cash without regard to the provisions of Section 561(1) of the Act. Therefore this resolution, to be proposed as a special resolution, seeks authority to enable the Directors to allot equity securities for cash free of such pre-emption rights, with such authority expiring at the conclusion of the Annual General Meeting of the Company to be held in 2015. This authority is limited to the allotment of a maximum of 387,424,714 ordinary shares for cash, free of pre-emption rights (representing approximately fifty per cent. of the Company's entire issued share capital as at the date of this notice).
21. Resolution 11 – The Company's Articles of Association incorrectly state that the nominal value of the Company's ordinary shares is £0.001 each. This resolution, to be proposed as a special resolution, seeks authority from the shareholders for the Company's Articles of Association to be amended to accurately reflect the correct nominal value of £0.0003125 each.

#### *Issued shares and total voting rights*

22. As at 6 p.m. on 11 July 2014, the Company's issued share capital comprised 774,849,428 ordinary shares of £0.0003125 each fully paid. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6 p.m. on 11 July 2014 is 774,849,428. The Company does not hold any shares in treasury.

