Registered number: 07800337

POWER METAL RESOURCES PLC
(formerly known as African Battery Metals plc)

ANNUAL REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

POWER METAL RESOURCES PLC

CONTENTS

POWER METAL RESOURCES PLC

COMPANY INFORMATION

Directors:	A Bell	*Executive Chairman (Appointed 15 February 2019)*
	P Johnson	*Chief Executive Officer (Appointed 15 February 2019)*
	I Macpherson	*Non-Executive Director*
	S Richardson Brown	*Non-Executive Director*
	Ed Shaw	*Non-Executive Director (Appointed 19 February 2020)*
Company secretary:	L O'Donoghue ONE Advisory Limited	
Company number:	07800337	
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CHAIRMAN'S REVIEW
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Highlights from the year under review:

Operational

- Business restructuring and refinancing undertaken and approved by shareholders in February 2019, raising £1 million (before issue costs) in the financial year to support a reinvigorated business model *(and a further £700,000 raised in December 2019)* and a restructured Company Board;

- Operational work undertaken on the Company's Cameroon and the DRC projects, with notable success at the Kisinka Project in the DRC through a termite mound sampling programme highlighting an unexpected 6.8km long copper anomaly requiring further investigation;

- New operating joint investment project interests acquired in Tanzania and Botswana;

- In Tanzania an agreement was signed with AIM Listed Katoro Gold plc (LON:KAT) ("KAT") to acquire a shareholding in KAT and to enter a joint investment whereby Power Metal Resources ("POW") secured 25% interest in KAT's Haneti Project, a polymetallic exploration project, with advanced high profile nickel sulphide targets. POW may increase its project to 35% through a payment to KAT of £25,000 by 31 May 2020;

- In Botswana an Acquisition and Earn-In Agreement was signed with Kalahari Key Mineral Exploration Pty Ltd ("KKME") to acquire a shareholding in KKME and a right to earn into a 40% interest in KKME's single project, the Molopo Farms Complex project (the "MFC Project") in south west Botswana, by expending US$500,000 on a drilling programme at the MFC Project in 2020. *(POW exercised that right to earn in on 31 December 2019)*;

- As part of the Tanzania and Botswana transactions POW acquired strategic shareholdings in KAT and KKME. In respect of KAT the company acquired, and still holds 10 million shares at 1.0p, and 10 million warrants to subscribe for KAT shares, granted in two tranches of 2.5 million in March 2019 at 1.25p with a 3 year life to expiry, and 7.5 million granted in May 2019 at 1.25p with a 3 year life to expiry, all at a total cost of £100,000 and at the completion of the transaction equating to 5.95% of KAT issued share capital. In KKME POW acquired 3,542 shares at a total cost of US$194,810 or circa £153,000, equating to 18.26% of KKME issued share capital; and

- Including the above KAT and KKME financial instruments at the year end 30 September 2019 the Company therefore held a shares/warrants portfolio worth circa £310,000.

CHAIRMAN'S REVIEW (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Financial

- Loss for the year to 30 September 2019 of £1.6 million (2018: £6.6 million);
- Pre non-controlling interest total equity of £1.8 million at the year end (2018: £2.1 million); and
- Raised £1 million (before issue costs) in new equity financing during the financial year, from a combination of new and existing shareholders, including the Directors.

Post-year end

- On 3 December 2019, the Company entered into an agreement providing an opportunity to acquire a right to earn in to 60% of the Alamo project based in Arizona, USA over a four-year period. The project is prospective for gold and precious metals. Subject to a 45-day due diligence period which was subsequently extended to June 2020 due to restrictions imposed by Covid-19;
- On 10 December 2019, the Company announced it had raised £700,000 (before costs), through a placing and subscription of 175,000,000 new ordinary shares at a price of 0.40 pence per share, £400,000 of which was allocated to enable the Company to exercise the option to earn-in to the Molopo Farms Complex project as part of the existing agreement with Kalahari Key Exploration Pty Limited;
- On 31 December 2019, the Company gave written confirmation to Kalahari Key Exploration Pty Limited to elect to earn in to a 40% interest in the Molopo Farms Complex. Combined with the existing 18.26% interest held in Kalahari Key, upon completion, the Company will hold a 50.96% interest in the project;
- In December 2019, the Company announced First Equity Limited were appointed as joint brokers to the Company. As at 30 September 2019 and at the date of this report, Power Metal Resources plc ("POW", the "Company" or the "Group") had two wholly owned subsidiaries, Cobalt Blue Holdings ("CBH") and Regent Resources Interests Corp. ("RRIC"), as well as a 70% shareholding in Power Metal Resources SA (formerly ABM Kobald SAS), which holds the interest in the Kisinka licence ("Kobald");
- The Company also holds interest in Katoro Gold Plc ("Katoro"), Kibo Nickel Limited ("Kibo"), Kalahari Key Exploration Pty Limited ("Kalahari") and Kavango Resources Plc ("Kavango");

- In late Q4 2019 the first case of Covid-19 virus was discovered in China and the disease has since been designated pandemic status by the World Health Organisation spreading to a large number of countries around the world. The impact of the Covid-19 virus has seen significant societal dislocation in many countries with normal patterns of life and work notably effected as large numbers of people have been limited to home based working and other restrictions to limit the spread of the virus and enable health providers to manage serious cases within their resources;

- The impact of the Covid-19 virus also affected financial markets around the world impacting the AIM market where POW is listed and initially caused a fall in junior resource equity share prices and reduced confidence of investors in the junior resource sector. That said, at the time of writing this report, there has been a significant rebound in the financial markets generally, on the AIM market and in the junior resource equity sector. The outcome of the Covid-19 virus has therefore been to create significant market volatility and there is a reasonable expectation that such volatility may well continue for some time; and

- The majority of POW's active operations are in Africa, where to date the impact of the virus has been less disruptive, however there is potential for increasing disruption depending on the spread of the virus. As with most of our peers, the future impact of Covid-19 on POW operations is not fully understood at this point or indeed the extent to which the toughened market conditions will persist and potentially impact the Company's ability to operate efficiently and secure cash for operations from market financings should this be needed. That said at the time of writing we have just safely concluded an active field exploration programme in the DRC and in Botswana where our next field exploration is expected and the government has just published plans to undertake a controlled lifting of the virus lockdown during the course of May. The impact of the virus on operations is clearly country specific and POW is keen to manage its field exploration programmes reflective of each operating environment and the local circumstances at the time. Should field activities prove challenging or impractical to undertake, POW has a portfolio of interests where material work can be done to advance the business interests through office based activities to improve geological understanding and to effect corporate transactions in respect of existing or new opportunities.

Introduction

The business restructuring and refinancing in February 2019 was undertaken on the premise that the Company would have a reinvigorated drive and direction. It has indeed achieved this in respect of certain existing interests and new opportunities.

We have carried out exploration programmes in both Cameroon and the DRC and achieved in a cost-effective manner outcomes that advanced our understanding in both countries. The 6.8km copper anomaly identified in the DRC was an exciting and positive outcome on which we can build future programmes.

We have secured new operational interests in two new African countries; a nickel-copper-PGM exploration project in Botswana and a polymetallic exploration project in Tanzania. The potential scale of both opportunities led us to take a dual project holding company and project level interest, providing increased exposure for shareholders in these new interests.

We also have a burgeoning pipeline of new opportunities in existing commodities and jurisdictions, and also in new areas. This has been evidenced by the transactional options we have announced to the market to date, and subject to ongoing work and discussions, further transactions may occur.

Company costs are controlled and are modest overall, both in terms of corporate costs and also investment in exploration. POW pays modest board compensation compared to our market peers and our exploration work is carefully chosen to maximise return on modest spend programmes. This will continue and whilst we have comfortably raised £1.7million in calendar year 2019 we will seek to preserve working capital and minimise shareholder dilution wherever possible.

We have diverse business interests, a strong balance sheet versus our operational costs and a wide array of opportunity, from what appears to be at or near the bottom in the typical junior resource company cyclical sector pullback. Much has been achieved already, but there is a lot more to do and POW looks forward to announcing developments to the market in 2020.

Operations Review

Projects

Botswana

On 13 May 2019 POW entered into an Acquisition and Earn-In Agreement with Kalahari Key Mineral Exploration Pty Ltd ("KKME" or "Kalahari Key") to acquire 3,542 new ordinary shares equating to an 18.26% shareholding in Kalahari Key. This transaction was completed through two transactions:

- POW acquired 3,157 new ordinary shares in Kalahari Key at US$55 per share for cash consideration of US$173,635.

- In addition, POW acquired 385 existing ordinary shares in Kalahari Key held by Value Generation Limited ("VGL"), a company beneficially owned by Paul Johnson, Executive Director of POW at US$55 per share for cash consideration of US$21,175. Given the planned active participation of POW and Paul Johnson in the management and operations of Kalahari Key and the MFC Project, the Board concluded it appropriate for the Company to acquire the VGL holding in Kalahari Key and thereby remove any potential conflict of interest going forward.

At the time Kalahari Key's sole asset was a 100% interest in the Molopo Farms Complex nickel-copper-PGM exploration project (the "MFC Project").

Alongside the share acquisition POW had the right by 31 December 2019 to elect to earn into a 40% direct project interest in the MFC project by investing US$500,000 in the Project by 31 December 2020 (the "Earn-in").

POW elected to Earn-In on 31 December 2019 and based on Kalahari Key's current issued share capital will, on completion of the Earn-In, hold an effective economic interest of 50.96% in the Project.

As a result of the election to Earn-In and in accordance with the Agreement, in January 2020, Paul Johnson (POW CEO) joined the board of Kalahari Key and Andrew Bell (POW Chairman) joined the MFC Project Operating Committee.

At the time of the Acquisition and Earn-In Agreement the MFC Project consisted of three licences covering an area of 2,725 square kilometres considered prospective for nickel-copper-PGMs mineralisation and were 100% owned by KKME.

Originally, in November 2016 Kalahari Key acquired two mineral exploration licences (PL310/2016 and PL311/2016) from the Botswana Government. The licences cover the eastern and central parts of a shear/feeder zone through the centre of the Bushveld-related Molopo Farms Complex in southern

Botswana. A third licence (PL202/2018) was acquired in early 2018 immediately to the south of PL311/2016.

The investment made in Kalahari Key of US$194,810 was, along with other KKME working capital, deployed principally into a ground geophysics programme at the MFC Project to follow up on a successful Helicopter Airborne Electromagnetic project which has identified 17 subsurface conductor targets. The ground geophysics programme proved very successful with 11 subsurface targets confirmed and 5 or 6 high profile targets.

A gravity survey was then conducted post year end which confirmed all targets to be sulphides rather than graphite and an environmental management plan was prepared in Q4 2019 and submitted for local regulatory approvals in January 2020, prior to drilling commencement in 2020 over principal targets.

Interest in the MFC Project has been shown by a number of large mining companies and also by financiers looking to provide funding to Kalahari Key and/or at project level. POW has an anti-dilution right within its shareholding in Kalahari Key and thus may maintain its 18.26% corporate stake should it wish to do so. It also has fund or dilute protection on its 40% direct MFC Project interest.

The POW team are working with Kalahari Key to assess interest shown in the company and the MFC Project.

Cameroon

In Cameroon a pitting and sampling programme was conducted which confirmed the exploration undertaken successfully intersected the distinct laterite profile that is most likely to be mineralised at average depths of 5m and deeper, which is consistent with depths in the mineralized zones at the adjacent Nkamouna project.

The initial emphasis of the project was to identify cobalt mineralisation and the work conducted indicated that cobalt exploration is best focused on the thicker lateritic cover and POW's consultants recommended concentration of future work at higher elevations where these thicker profiles are more likely to occur. The sampling programme also highlighted elevated levels of titanium and vanadium requiring further investigation.

In conjunction with its POW consultants the Company is considering the various options with regard to this project, ensuring as with all project interests the most optimal allocation of Company working capital.

Note: With respect to Nkamouna, Geovic published an NI 43-101 compliant Mineral Resource[1] on the Nkamouna deposit with a total Measured, Indicated and Inferred Mineral Resource of 323mt of 0.21% cobalt, 0.61% nickel and 1.26% manganese.

[1] Source: NI 43-101 Technical Report, Geovic Mining Corp by SRK Consulting, 02 June 2011 (viewable at Edgar Online)

The Democratic Republic of the Congo

At the Company's Kisinka Copper-Cobalt project POW conducted a termite mound sampling programme through which it confirmed the presence and potential significance of copper mineralisation along the Undifferentiated Roan horizons within the license.

Undifferentiated Roan represents Roan rocks of the Roan 1, Roan 2 and Roan 3 Subgroups and the Neoproterozoic Roan Group of central Africa which are host to some of the world's largest and highest-grade sedimentary rock-hosted copper-cobalt deposits the copper belts of Zambia and the DRC.

Given the substantial 6.8km length and size of the copper anomalous area and the presence of rocks from the important mineral-bearing R2 stratum in a licence along strike, there were sufficient indications that the tenement may be host to a significant copper target to justify further exploration.

A further exploration programme, to include pitting and sampling within the mineralised area, is to be undertaken.

Ivory Coast

No further work was undertaken at the Lizetta-II project in the Ivory Coast in the year ended 30 September 2019 and the current expectation is that the Company will focus its working capital on other project interests. This situation has been primarily driven by working capital constraints and notably the need to allocate working capital to more advanced exploration interests where the prospect of a large scale discovery, in line with the Company's objectives, is nearer term and more obviously identifiable. There is evidence that the thesis of an emerging and previously barely exposed base metal province has investor credibility, the Company needs to reset its relationship with its local partner through renewed activity. However, there are no budget or substantive expenditure plans currently, therefore the Directors have deemed it appropriate to impair the asset by 100% in the year ended 30 September 2019, as detailed in Note 14.

Should any further developments corporately or from an exploration perspective arise, the Company will inform the market accordingly.

Tanzania

POW announced an Investment and Option Agreement with London AIM listed Katoro Gold (“Katoro”) (LON:KAT) in March 2019.

Under the Agreement POW was able to acquire up to 10 million new ordinary shares of 1.0 pence each in the capital of Katoro ("Katoro Ordinary Shares"), together with up to 10 million warrants over Ordinary Shares, and an option to acquire, subject to the completion of due diligence by POW, up to a 35% interest in Katoro's 100% owned Haneti Nickel Project ("Haneti" or the “Haneti Project”) in Tanzania (the "Option") for a total consideration of up to £125,000. To date two of three stages of this acquisition have been completed as outlined below.

In March 2019 for a consideration of £25,000, POW acquired 2,500,000 new Katoro Ordinary Shares (the "Tranche 1 Shares"), equating to an issue price of 1.0 pence per share. POW was then granted 2,500,000 warrants to subscribe for 2,500,000 new ordinary shares at a price of 1.25 pence per share with a three year expiry term to 15 March 2022 and the Option to acquire a further 7,500,000 Katoro Ordinary Shares and warrants on the same terms, and up to 35% of the Haneti Project held by KAT.

In May 2019 POW exercised its option to invest a further £75,000 to acquire an additional 7,500,000 new Katoro Ordinary Shares at a price of 1.0 pence per share (the "Tranche 2 Shares"). POW was also granted a further 7,500,000 warrants to subscribe for 7,500,000 new Katoro Ordinary Shares at a price of 1.25 pence per share with a three-year life to expiry term to 15 May 2022 (the "Warrants").

Of the Tranche 2 Shares and Warrants, 6,100,000 Tranche 2 Shares ("Initial Instalment Shares") were issued immediately and the remaining 1,400,000 Tranche 2 Shares ("Second Instalment Shares") and Warrants were issued following Katoro's Annual General Meeting, which was held in June 2019 and where additional authority to issue new ordinary shares of 1.0p was approved by shareholders.

Overall, at the time of transaction completion POW held 10,000,000 Katoro Ordinary Shares and 10,000,000 Katoro Warrants, representing a 5.95% holding in KAT’s then issued share capital.

By subscribing for the tranche 2 shares POW also acquired a 25% direct interest in the Haneti Project, with Katoro holding the remaining 75% interest. POW’s holding is subject to a fund or dilute clause whereby the Company must fund its 25% share of costs or dilute in line with standard industry fund or dilute principles. In addition, by subscribing for the Tranche 2 shares POW has a right, by 15 May 2020 to acquire a further 10% interest in the Haneti Project, increasing its interest to 35%, by paying Katoro £25,000.

The Haneti Project covers a large scale polymetallic system with identified potential for nickel (sulphide and laterite), Platinum Group Metals ('PGMs'), copper, gold, lithium and rare earth elements ("REEs").

The principle target zone is an 80 km long ultramafic belt with grades from surface sampling of up to 13.6% nickel and 2.33 g/t combined platinum and palladium.

During the year POW has worked with its partner KAT to formulate the way forward for the project, including exploration planning and implementation, a process that has been punctuated by external interest in the project and addressing that interest, which continues at present.

Corporate Social Responsibility ("CSR")

The Company maintains a focus on CSR through internal policies and our approach to external operational activities.

The Company will continue to prudently invest in the regions we have business activities, in support of the communities where we operate. As an early stage Company, POW is keen to employ workers from the areas in which we operate projects, and to operate in a safe, responsible and reasonable manner.

As certain projects mature, we would expect our community engagement to become more extensive in line with the level of operational activities.

Financial Review

The Group recorded an audited loss after tax for the year to 30 September 2019 of £1.6 million (2018: £6.6 million). The loss per share from continuing activities was 0.55p (2018: 1.83p).

The Group's exploration activities during the financial year under review were funded through the issue of shares to either raise cash or in lieu of fees. In aggregate, new ordinary shares were issued during the financial year, raising a total of approximately £1.2 million before placement costs (2018: £3.9 million).

We ended the financial year with a cash balance of £0.17 million (2018: £0.15 million), which was enhanced post financial year end by a further equity issue of approximately £0.7 million (before costs) in December 2019.

Targets for 2020

Our operational targets for the remainder of 2020 are:

- To focus on applying working capital diligently, with controlled corporate costs and focused investment in operating projects that demonstrably have the best potential to deliver a large scale metal discovery;
- To continue to build our internal resources and external network and to develop our managerial and operational teams to provide confidence in the market of our abilities to achieve our strategic business objective of a large scale metal discovery;
- To continue to review new opportunities and where financially and operationally practical to acquire additional interests within the power metal commodity suite in Africa and where appropriate in other commodities and jurisdictions.

Board Changes

In February 2019 former CEO Roger Murphy stepped down as part of the business restructuring and refinancing exercise. Following publication of the Annual Results for 30 September 2018 in March 2019, Matt Wood also stepped down as Finance Director.

As part of the shareholder approved business restructuring and refinancing in February 2019, Andrew Bell joined as Executive Chairman and Paul Johnson as Executive Director. Paul Johnson became CEO of the Company in August 2019.

Ed Shaw was appointed to the Board as Non-Executive Director in February 2020.

Outlook

2019 was a year of reconstruction for the Company, with existing interests as at February 2019 reviewed and work undertaken in Cameroon and the DRC. We had some notable success in our initial exploration, notably in respect of the discovery of a 6.8km copper anomaly in the exploration work undertaken at the Kisinka project in the DRC.

As a business, and in a challenging junior resource sector market we had new opportunities all around and took the business forward with new additional operating interests in Botswana and Tanzania, working with new joint investment partners.

As a business we now have three clear strategic interests in Botswana, the DRC and Tanzania, and we have a robust working capital position and a demonstrable ability to access working capital on reasonable terms as and when required.

As we continue to see what we expect will be a recovering junior resource climate we are well positioned and look to the future with some confidence. The impact of Covid-19 has in recent months caused material disruption and we are justifiably noting that disruption again and highlighting that its continuing impact could impact our plans, operations and aspirations as noted elsewhere. However what should also be highlighted is that the uncertainty in the world that exists today, as in disruptive times past, could drive increasing investment demand for precious metals for portfolio security and base metals through the extensive infrastructure programmes that are being discussed as part of government stimuli in various countries around the world.

Aside from Covid-19 factors, there has been an underinvestment in exploration and new mine development across multiple areas in the resource sector. Given the availability of supply is a key factor in the supply/demand dynamic that governs metal prices and the valuation of resource projects, we consider supply attrition over many years, and especially of late, to be a contributing feature to rising metal prices in the years ahead.

The future is all the brighter with strong shareholder support and a growing shareholder register. We know that the Company has more work to do to restore investor and shareholder confidence and we are committed to work hard in this area. For those who have helped our business in the last year, we are grateful. We trust by actions rather than merely words on a page, we can show the wider investing world that Power Metal Resources plc is an exciting and investable proposition, whereby the negative events of the past, in a number of respects, are surpassed by the potential of the future.

Andrew Bell, Executive Chairman
20 May 2020

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Overview of the business

The financial year to 30 September 2019 resulted in a loss for the year of £1.6 million (2018: £6.6million).

Net assets at the year end stood at £1.6 million (2018: £2.0 million). The Group's cash position of £0.17 million as at 30 September 2019 was supplemented post year end following an equity issue in December 2019, which raised £0.7 million, before expenses. In addition the Company's asset base is bolstered by listed and unlisted shares and warrants in resource companies valued at circa £309,000 at 30 September 2019.

The Company undertook a business restructuring and refinancing in the year, which was approved by shareholders at General Meeting held in February 2019 and which saw a number of board changes implemented.

Following the restructuring the Company launched a strategic and operational review to examine all business activities and to ensure working capital was focused on existing interests and new opportunities that had the potential to deliver on the Company's business strategy. In addition to ensure the company was operating efficiently at corporate level and had controlled corporate plc costs.

As a result of this strategic and operational review exploration work was recommenced in Cameroon and the DRC. Notable success was achieved in the DRC at the Company's Kinsinka project interest with the discovery of a 6.8km copper anomaly. Further work programmes are planned at Kisinka project in the DRC and the plans in respect of the Company's Cameroon interest are under review.

The Company openly searched for new opportunities to complement the existing business interest and transacted in 2019 financial year on two large scale operating interests, with joint investment partners, in Botswana and Tanzania.

In Botswana the Company can earn in to an effective economic interest of 50.96% in the Molopo Farms Complex project which is prospective for nickel-copper-PGMs and on which exploration drilling is planned in 2020. In Tanzania the Company can acquire up to a 38.62% effective economic interest in the Haneti polymetallic project which has high profile nickel sulphide drill targets, and on which exploration drilling is also planned in 2020.

Further work is ongoing to assess existing business interests and operations and that includes the review of new opportunities as part of a rolling programme to ensure business focus, sustainability and efficiency.

Business Strategy

The overriding strategic objective of the Company is to make a large scale metal discovery. To achieve this the Company is being highly selective in respect of existing and new business interests to ensure resources are focused on the projects with the greatest potential to deliver the discovery targeted.

Our main business focus to date has been the power metal commodity suite and notably cobalt, copper, nickel and PGMs within African projects. Whilst that is expected to continue we are also considering new opportunities within the traditional power metal commodities and in jurisdictions outside Africa.

Further information on the Group's operations is set out in the Chairman's Review on page 6 to 10.

Principal risks

Exploration risk

The Group's business is mineral exploration and evaluation, which are speculative activities. There is no certainty that POW will proceed to the development of any of its projects or otherwise realise their full value. The Group aims to mitigate this risk when evaluating new business opportunities by targeting areas of potential where there is at least some historical drilling or geological data available and where leading exploration consultants believe there is strong evidence of high class mineral deposits.

Resource risk

All mineral projects have risk associated with defined grade and continuity. Mineral Reserves and Resources will be calculated by the Group in accordance with accepted industry standards and codes but are always subject to uncertainties in the underlying assumptions which include geological projection and commodity price assumptions. At present POW does not have projects with Mineral Reserves and Resources.

Environmental risk

Exploration of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project. The Group's environmental risk extends to the Group's licences in Botswana, the DRC, Cameroon and the Ivory Coast. POW will ensure proper measures are taken to assess environmental risk including appropriate technical submissions to reporting authorities prior to work commencing. Also any disturbance to the environment during any exploration on any of the licence areas will be rehabilitated in accordance with the prevailing local regulations.

Financing & liquidity risk

The Group has an ongoing requirement to fund its activities through the equity capital markets. There is no certainty such funds will be available when needed. To date the Group has managed to raise the required funds, primarily through equity placements, despite the very difficult market that currently exists for raising funding in the junior mining industry. However the Directors have prepared cash flow forecasts for at least the next 12 months from the date of this report and are confident that the Company can raise additional equity funds, if required. Nevertheless, in the event that the Group is unable to secure further financial resources it may have a detrimental impact on the Group's exploration activities and viability of its exploration licences.

The Covid-19 pandemic caused a significant fall in the value of global stock markets in March 2020 and this has negatively impacted the valuation of the majority of listed junior resource companies, including POW. The pandemic has created additional market uncertainty, which adds additional challenges for many junior resource companies seeking funding from the capital markets.

From a wider perspective it is noted that the junior resource sector is cyclical, with peaks and troughs in valuations of companies and generic sector confidence. The ease of financing follows this cyclicity and that means the financing environment for junior companies can switch from challenging to comfortable, and vice versa, quite quickly. The impact of cyclicity can be less significant for well-respected companies with successful business models, and therefore the actual financing experience is different for each company.

Political risk

All countries carry political risk that can lead to interruption of activity. Politically stable countries can have enhanced environmental and social risks, risks of strikes and changes to taxation, whereas less developed countries can have, in addition, risks associated with changes to the legal framework, civil unrest and government expropriation of assets. The Company has working knowledge of the countries in which it holds exploration licences and has appointed experienced local operators to assist the Company in its activities in order to help reduce possible political risk.

Internal controls & risk management

The Directors are responsible for the Group's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately. In carrying out their responsibilities, the Directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible, and they have reviewed the effectiveness of internal financial control.

Review of business and financial performance

The ongoing performance of the Company is managed and monitored using a number of key financial and non-financial indicators ("KPIs") on a monthly basis:

i. Cash position

Having sufficient cash for business operations is vital for an exploration company and cash must be managed accordingly. The Directors review and manage the Group's cash flow on a monthly basis. The financial strategy is to ensure that, wherever possible, there are sufficient funds to cover corporate overheads and exploration expenditure for as long a period as possible. In challenging markets in 2019 the Company's management team were able to raise £1.7m utilising their extensive experience of financing public companies in a variety of financing climates. We have confidence that financing of the Company can continue as and when required, albeit the board is keen to avoid excessive dilution and will manage the financing process with that objective in mind. The disruption caused by Covid-19 created a period when financings were particularly difficult for many companies and although POW is not immune to the wider market conditions, the board feel confident that it is able to secure additional finance when required.

Furthermore the Company has ensured that where possible it has built operational flexibility in its exploration portfolio enabling expenditure to be paused should the financing environment prove difficult and cash preservation prove essential.

ii. Exploration expenditure by project

The Company controls its exploration spend by project versus budget and in relation to its available cash resources. If the results of exploration do not meet expectations, then budgeted activities are re-evaluated or even cancelled. Evaluation of early stage projects is approached in a cost effective way. The Group determines whether there are any indicators of impairment of its exploration assets on an annual basis.

iii. Share price

The Company monitors its share price monthly versus a peer group of explorers. Many factors outside the Company's control can affect the share price but the Company appreciates that this KPI is important to shareholders and the market in general in assessing the Company's performance.

On behalf of the board

Paul Johnson, Chief Executive Officer
20 May 2020

THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Andrew Bell, Executive Chairman

Andrew Bell began his career as a natural resources analyst at Morgan Grenfell & Co. in the 1970s. His business experience encompasses periods in fund management and advisory work at leading financial institutions, international corporate finance work and private equity. Andrew Bell's listed company directorships are Red Rock Resources Plc (AIM), Chairman and Chief Executive Officer, and Jupiter Mines Ltd (ASX), Non-Executive Director. Andrew Bell is also a former Director various resource sector companies including Star Striker Ltd (now Intiger Group Ltd) (ASX), and a former Non-Executive Chairman of Greatland Gold Plc (AIM).

Andrew Bell has considerable sector experience, and his relevant skills also include financial, business and legal analysis, knowledge of Africa and Asia, as well as experience of public markets.

Paul Johnson, Chief Executive Officer

Paul Johnson holds a degree in Management Science from the University of Manchester Institute of Science and Technology and is a Chartered Accountant, Chartered Loss Adjuster and Associate of the Chartered Insurance Institute. Paul is the Chief Executive Officer of Value Generation Limited a family investment and advisory company focused on the natural resource and related fintech sectors.

Paul Johnson is an experienced public company director and has previously been Chief Executive Officer of Metal Tiger plc (AIM), Metal NRG plc (NEX) and China Africa Resources plc (AIM). He has been Chairman of ECR Minerals plc (AIM) and Non-Executive Director of Greatland Gold plc (AIM), Papua Mining plc (AIM), Thor Mining plc (AIM) and Armadale Capital (AIM).

Iain Macpherson, Non-Executive Director

Iain is a seasoned mining executive with over 30 years' experience in senior management and executive roles for both junior and major mining companies. He has a track record of operating, developing and financing mining projects, having led several significant stock market listings in the UK and North American markets and as a result has developed a network of private and institutional investors.

He has operated in senior operational and executive roles in Western and Eastern Europe and Russia including the development of three new mining projects before joining UraMin as Chief Operating Officer, which subsequently CEO. From late 2009 to July 2014 he was Chief Executive Officer of Elemental Minerals, building the team that has taken the project through exploration into project development and raising the finance to support the successful fast-track project strategy, delivering an on-time and on-budget advanced pre-feasibility study in September 2012.

In late 2014, Iain co-founded Madini with a group of similarly experienced mining professionals focusing on African near cash high margin mining projects.

THE BOARD OF DIRECTORS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Scott Richardson Brown, Non-Executive Director

Scott is a Fellow of the Institute of Chartered Accountants in England and Wales. He began his career at Coopers & Lybrand (later PricewaterhouseCoopers) in the banking and capital markets division, he later became a partner in the corporate broking/finance division of Oriel Securities Limited covering a range of sectors.

Since leaving Oriel Securities Limited, Scott has held a number of directorships of AIM-quoted companies operating within the natural resources sector in both CEO, CFO and Non-Executive Director roles and specialises in restructuring and turning around companies in difficulty.

Ed Shaw, Non-Executive Director

Ed started his career 25 years ago at Citibank having studied Chemistry at the University of Bristol. Ed was one of the founding partners of Newpeak Capital LLP in 2007, and has a long history of trading and more recently raising capital for companies in the mining sector including microcap resource stocks, the area of the market in which POW is currently positioned.

Ed complements the existing team and helps strengthen the Board particularly by adding weight to the Company's financing strategy, a key element of business management for listed microcaps.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Directors present their report together with the audited consolidated financial statements of Power Metal Resources plc (the "Company"), together with:

- its 100% owned subsidiary, Regent Resources Interest Corp ("RRIC");
- its 100% owned subsidiary, Cobalt Blue Holdings ("CBH"); and
- the 70% owned Power Metal Resources SA (formerly ABM Kobald SAS), (PMR), incorporated in the DRC, in which its 70% interest in the Kisinka licence is held.

The Group's focus is in exploring for battery metals in Africa.

Results

The Group reports a loss after tax, and including discontinued operations of £1.6 million (2018: £6.6 million) for the year ended 30 September 2019.

Major events after the reporting date

The following events occurred after the year end:

- On 3 December 2019, the Company entered into an agreement providing an opportunity to acquire a right to earn in to 60% of the Alamo project based in Arizona, USA over a four-year period. The project is prospective for gold and precious metals. Subject to a 45-day due diligence period, subsequently extended to 30 June 2020;
- On 10 December 2019, the Company announced it had raised £700,000 (before costs), through a placing and subscription of 175,000,000 new ordinary shares at a price of 0.40 pence per share, £400,000 of which was allocated to enable the Company to exercise the option to earn-in to the Molopo Farms Complex project as part of the existing agreement with Kalahari Key Exploration Pty Limited;
- On 31 December 2019, the Company gave written confirmation to Kalahari Key Exploration Pty Limited to elect to earn in to a 40% interest in the Molopo Farms Complex, using the £400,000 capital raised. Combined with the existing 18.26% interest held in Kalahari Key, upon completion, the Company will hold a 50.96% interest in the project;
- In December 2019, the Company announced First Equity Limited were appointed as joint brokers to the Company;
- In January 2020, an outbreak of a corona virus, now classified as COVID-19, was detected in China's Hubei province. During the following months, COVID-19 has spread steadily throughout the World and on 11 March 2020, The World Health Organisation ("WHO") declared the outbreak a global pandemic. In order to stem the spread of the virus, Governments around the World are taking drastic steps which include compulsory closure of various businesses, shops and schools and are also heavily restricting of movement of people with lock down. Due to the rapid development of COVID-19, the degree of uncertainty involved and the unprecedented nature of the challenges posed by the coronavirus situation, the Directors' are

of the opinion that it is too soon to quantify what financial impact that the COVID-19 pandemic will be, but are monitoring the situation closely;

- In February 2020, Ed Shaw was appointed to the Board as a Non-Executive Director;
- On 15 April 2020, the Company entered into an agreement providing an opportunity to acquire a 51% interest in the Ditau project, currently held 100% by Kavango Resources plc. The project is prospective for rare earth and other metals. The acquisition is subject to a due diligence period ending 1 September 2020 at the latest; and
- In April 2020, POW announced the commencement of a new joint venture with Red Rock Resources Plc to build a strategic gold exploration portfolio in Australia.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 30 September 2019 (2018: £nil).

Financial risk management

The Group's operations are exposed to a variety of financial risks and these are detailed in note 24 to these financial statements.

Political donations

There were no political donations during the year ended 30 September 2019 (2018: £nil).

Bribery legislation

The Directors have adopted appropriate procedures to ensure compliance with the Bribery Act 2010.

Directors

The Directors of the Company who served during the year and since the reporting date are as follows:

A Bell, Executive Chairman (appointed 15 February 2019)
P Johnson, Chief Executive Officer (appointed 15 February 2019)
I Macpherson, Non-executive Director
S Richardson Brown, Non-executive Director
R Murphy, Chief Executive Officer (resigned 15 February 2019)
M Wood, Finance Director (resigned 29 March 2019)
E Shaw, Non-executive Director (appointed 19 February 2020)

Directors' interests

The beneficial interests of the Directors holding office on 30 September 2019 in the issued share capital of the Company as at 30 September 2019 were as follows:

DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	30 September 2019	
	Number of ordinary shares of 0.1p each	Percentage of issued ordinary share capital
A Bell	11,020,000	2.96%
P Johnson*	18,000,000	4.83%
I Macpherson	2,056,664	0.55%
S Richardson Brown	-	-

* Includes 750,000 ordinary shares held by his wife, Michelle Johnson, and 17,250,000 held by Value Generation Ltd, a company beneficially owned by Paul Johnson

Details of share options and warrants granted to Directors are disclosed in note 21 to the financial statements.

Directors' remuneration and service contracts

Details of Directors' emoluments including share-based payments are disclosed in note 10 to these financial statements.

	Salary/fees	Salary/fees settled in shares	Share-based payments	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000
A Bell	28	-	-	28	-
P Johnson	54	-	4	58	-
I Macpherson	17	-	4	21	26
S Richardson Brown	13	-	8	21	2
R Murphy	19	11	-	30	133
M Wood	17	8	-	25	97
N Warrell	-	-	-	-	16
Total	**148**	**19**	**16**	**183**	**274**

There were no employees other than the Directors in the year ended 30 September 2019, with all employees other than the Directors in the prior year being employed by Blue Horizon (SL), which the Group placed into voluntary liquidation on 27 September 2018.

Directors' indemnities

The Group maintains directors' and officers' liability insurance providing appropriate cover for any legal action brought against its Directors.

Going concern

The financial statements are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the current and future position of the Group, including current level of resources, additional funding raised in February 2020 and the required level of spending on exploration and drilling activities. As part of their assessment, the Directors have also taken into account the ability to raise new funding whist maintaining an acceptable level of cash flows for the Group to meet all commitments.

In the current business climate, the Directors acknowledge the COVID-19 pandemic and has implemented logistical and organisational changes to underpin the Group's resilience to COVID-19, with the key focus being minimising the impact on critical work streams, ensuring business continuity and conserving cash flows. COVID-19 may impact the Group in varying ways leading to the Group reducing all non-essential expenditure, the potential impairment of assets held, the Group's ability to finance exploration and drilling activities and meet commitments relating to its investments, including for transactions entered into after the financial reporting date (note 27) The inability to gauge the length of such disruption further adds to this uncertainty. For these reasons, the preservation of cash flows is a primary focus for the Directors.

The Directors have stress tested the Group's cash projections, which involves preserving cash flows and adopting a policy of minimal cash spending for a period of at least 12 months from the date of approval of these financial statements. The Directors believe the measures they have put in place together with the funds raised in February 2020 (note 27), and a planned fundraising in November 2020 will result in sufficient working capital and cash flows to continue in operational existence, assuming that all exploration and drilling activities are managed carefully and curtailed if necessary. For the Group to carry out the desired levels of exploration and drilling activities, the Directors believe that it needs to secure further funding either from a strategic partner or subsequent equity raisings in the next financial year, which the Group has succeeded in completing over recent years. Taking these matters in consideration, the Directors continue to adopt the going concern basis of accounting in the preparation of the financial statements.

The need to complete a fundraising in November 2020 indicates that a material uncertainty exists which may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern and therefore its ability to settle it debts and realise its assets in the normal course of business.

The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the Group's results for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

Statement of disclosure to auditor

So far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- all the Directors have taken the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

BDO LLP have expressed their willingness to continue in office and a resolution will be proposed at the annual general meeting to reappoint BDO LLP as auditor for the next financial year.

By order of the Board
Paul Johnson
Chief Executive Officer
20 May 2020

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

As Chairman of the Board of Directors of Power Metal Resources plc, it is my responsibility to ensure that POW has both sound corporate governance and an effective Board. As Chair of POW, my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, and ensuring that good information flows freely between Executives and Non-Executives in a timely manner. The Chairman's principal responsibility is to ensure that the Company and its Board are acting in the best interests of shareholders.

This report follows the structure of the Quoted Companies Alliance Corporate Governance ("QCA Code") guidelines and explains how we have applied the guidance. The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and areas of non-compliance are disclosed in the text below. Further details of the Company's compliance with the QCA Code can be found on the Company's Corporate Governance page on the website (https://www.powermetalresources.com/p/188/corporate-governance), any areas of non-compliance will be disclosed in the text below.

The Board understands that application of the QCA Code supports the Company's medium to long-term success whilst simultaneously managing risks and providing an underlying framework of commitment and transparent communications with stakeholders.

POW seeks to constantly improve its corporate governance practices, illustrated this year through the appointment of Ed Shaw as a Non-Executive Director, the former CEO Roger Murphy stepping down as part of the business restructuring and refinancing exercise, and the resignation of Matt Wood as a Director on 29 March 2019. In addition, a Remuneration Committee was formed.

Strategy and Risks

A description of the Company's business model and strategy can be found on page 14, and the key challenges in their execution can be found on page 14 to 16.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks in a timely manner. The Board ensures that corrective action is taken and that risks are identified as early as practically possible, as well as being responsible for reviewing the effectiveness of internal financial controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately. In addition, members of the Board attend industry conferences and seminars to keep abreast of sector risks and industry changes.

The Audit Committee (as well as the Board as a whole) reviews reports from the Company's auditors relating to the internal control systems in use throughout the Group in order to determine the adequacy and efficiency of internal control and risk management systems. An internal audit function is not yet considered necessary as day to day control is sufficiently exercised by the Company's Executive Directors. However, the Board will continue to monitor the need for an internal audit function.

The Board

The Company's Board includes Directors from a range of industries including the engineering, accounting and finance, and natural resources sectors. The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of personal, commercial and professional capabilities, providing the ability to deliver the Company's strategy for the benefit of shareholders over the medium and long-term.

The Board currently comprises an Executive Chairman, Andrew Bell, one Executive Director, Paul Johnson and three Non-Executive Directors, Iain Macpherson, Scott Richardson Brown and Ed Shaw.

Iain Macpherson is a founding shareholder of Madini Minerals, a company that has previously acted as POW's exploration project manager and is therefore not considered Independent for the purposes of Corporate Governance. Ed Shaw is employed by the Company's joint broker, First Equity, and, as such, the Company does not consider him to be Independent for the purposes of Corporate Governance. Scott Richardson Brown is considered to be an Independent Director for the purposes of Corporate Governance.

The Board notes that the QCA recommends that there be two Independent Non-Executive Directors, and that the Chair be Independent. Therefore, the Board acknowledges that, at its current stage of development, it does not comply with Principle 5 of the QCA Code, although the Board notes that the Chairman and Non-Independent Director both have significant experience in building successful businesses and offer key expertise to the Executive Directors thus benefitting the Company as a whole. Furthermore, the Board maintains that its composition will be frequently reviewed as the Company develops.

Mr Paul Johnson works for 240 days per year and Mr Andrew Bell works for 162 days per year. Mr Macpherson works for a minimum of 36 days per year and Mr Richardson Brown and Mr Shaw work for not less than 24 days per year. Biographical details of the Directors can be found on pages 17 to 18.

During the financial year but since the business restructuring in 2019, there were three routine Board Meetings and six non-routine Board Meetings, and the attendance of each director is outlined below:

DIRECTOR	ROUTINE BOARD MEETINGS (3)	NON-ROUTINE BOARD MEETINGS (6)
Andrew Bell	3/3	6/6
Paul Johnson	3/3	6/6
Matt Wood*	1/1	1/1
Iain Macpherson	3/3	2/6
Scott Richardson Brown	3/3	2/6

* resigned 29 March 2019

Due to the change in Board appointments and Committee constitution, there were no Audit or Remuneration Committee Meetings during the year. Instead, committee matters were discussed by the Board as a whole. Going forward, the Company expects the Audit and Remuneration Committees to meet independently of the Board to discuss matters within their respective remits.

The Board annually reviews the appropriateness and opportunity for continuing professional development, whether formal or informal. The Directors also endeavour to ensure that their knowledge of best practices and regulatory developments is continually up to date by attending relevant seminars and conferences.

Advisors

ONE Advisory Limited has been contracted by the Company to act as POW's Company Secretary and has been given the responsibility for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, including assistance with Board and shareholder meetings and Market Abuse Regulations ("MAR") compliance. ONE Advisory Limited also supports the Board in its development of the Company's corporate governance responsibilities, assisting with the Company's application of the QCA Code and amendments in relation to AIM Rule 26.

The Company's Nomad is consulted on all matters. The Company took advice on general corporate plc management, potential & actual acquisitions, changes to board composition and business strategy.

All Directors have access to independent professional advice, if required.

Board Evaluation

The Directors consider that the Company and Board are not yet of a sufficient size for a full Board evaluation to make commercial and practical sense. Therefore, the Board accepts that the Company does not comply with this aspect of the QCA Code, although in the frequent Board meetings/calls, the Directors can discuss any areas where they feel a change would be beneficial for the Company, and the Company Secretary remains on hand to provide impartial advice. As the Company grows, it intends to expand the Board and, with expansion, re-consider the need for a formal Board evaluation.

Culture

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. The Board also ensures that communities within the regions that the Company operates within continue to be supported, being cognisant of the Company's pledge to CSR.

A large part of the Company's activities are centred upon an open and respectful dialogue with shareholders, contractors, regulators and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

Audit Committee

The Audit Committee comprises Paul Johnson, Iain Macpherson and Scott Richardson Brown, and is chaired by Scott Richardson Brown. The Audit Committee is responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored and reported on and for meeting the auditor and reviewing audit reports relating to the accounts. The Audit Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility.

Remuneration Committee

The Remuneration Committee was formed in March 2019 and comprises Andrew Bell, Iain Macpherson and Scott Richardson Brown, and is chaired by Scott Richardson Brown, a qualified chartered accountant. The Committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of shareholders and the performance of the Company.

The Board notes that additional information supplied by the Audit Committee and by the Remuneration Committee has been disseminated across the whole of this Annual Report, rather than included as separate Committee Reports.

Major events after the reporting date

The following events occurred after the year end date:

- On 3 December 2019, the Company entered into an agreement providing an opportunity to acquire a right to earn in to 60% of the Alamo project based in Arizona, USA over a four-year period. The project is prospective for gold and precious metals. Subject to a 45-day due diligence period;

- On 10 December 2019, the Company announced it had raised £700,000 (before costs), through a placing and subscription of 175,000,000 new ordinary shares at a price of 0.40 pence per share, £400,000 of which was allocated to enable the Company to exercise the option to earn-in to the Molopo Farms Complex project as part of the existing agreement with Kalahari Key Exploration Pty Limited;

- On 31 December 2019, the Company confirmed written confirmation has been made to Kalahari Key Exploration Pty Limited to elect to earn in to a 40% interest in the Molopo Farms Complex, using the £400,000 capital raised. Combined with the existing 18.26% interest held in Kalahari Key, upon completion, the Company will hold a 50.96% interest in the project;

- In December 2019, the Company announced First Equity Limited were appointed as joint brokers to the Company;

- In January 2020, an outbreak of a corona virus, now classified as COVID-19, was detected in China's Hubei province. During the following months, COVID-19 has spread steadily throughout the World and on 11 March 2020, The World Health Organisation ("WHO") declared the outbreak a global pandemic. In order to stem the spread of the virus, Governments around the World are taking drastic steps which include compulsory closure of various businesses, shops and schools and are also heavily restricting of movement of people with lock down;

Due to the rapid development of COVID-19, the degree of uncertainty involved and the unprecedented nature of the challenges posed by the coronavirus situation, the Directors' are of the opinion that it is too soon to quantify what financial impact that the COVID-19 pandemic will be, but are monitoring the situation closely;

- In February 2020, Ed Shaw was appointed to the Board as a Non-Executive Director;

- On 15 April 2020, the Company entered into an agreement providing an opportunity to acquire a 51% interest in the Ditau project, currently held 100% by Kavango Resources plc. The project is prospective for rare earth and other metals. The acquisition is subject to a due diligence period ending 1 September 2020 at the latest; and

- In April 2020, POW announced the commencement of a new joint venture with Red Rock Resources Plc to build a strategic gold exploration portfolio in Australia.

Andrew Bell
Executive Chairman
20 May 2020

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF POWER METAL RESOURCES PLC

Opinion

We have audited the financial statements of Power Metal Resources plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2019 which comprise, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statement of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements 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.In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2019 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 Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the Parent Company and Group are dependent on raising additional financing in late 2020 and early 2021 to enable it to carry out its planned business objectives and enable it to continue as a going concern. As stated in Note 2, these conditions, along with the other matters referred to in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted in Note 2 of the financial statements, we considered going concern to be a key audit matter. As part of our audit procedures we have reviewed the forecasts prepared by management to understand the funding requirements of the Group for the foreseeable future considering existing finance as well as finance raised post year end and plans for future fund raising. We have compared forecasts to historical financial information and committed expenditure as well as challenging the appropriateness of the Directors' assumptions regarding the future level of expenditure required. We have also reviewed the assumptions used to ensure these are appropriate in light of the current COVID 19 pandemic.

Key audit matters
In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How we addressed the matter in our audit
Valuation of Group Prospecting and exploration rights (Note 14) **The risk is that the carrying value of the exploration assets is overstated at the financial reporting date and so should be impaired.** **The Directors consider each asset to assess whether as at the reporting date there are potential indictors of impairment by considering the potential resource available from historical evaluation work undertaken and by comparing the licence held to similar licences currently being acquired by 3rd parties with similar resources available.** **The board considered the value of the exploration rights at the point of initial acquisition and then subsequently based on evaluation work undertaken since acquisition, current commodity prices along with indications of potential resource available and value of rights based on other established projects in the same location.** **The board also considered the availability of finance to further evaluate the exploration rights held as part of their impairment consideration.** **As a result of this consideration, the Directors have recognised an impairment charge of £954,000 in respect of the licence held in Regents Resources Interest Corporation for the year ended 30 September 2019 due to no**	• We have reviewed the Directors' judgements in the assessment of each prospecting and exploration licence based on the historical assessments by third parties at the point of acquisition as well as exploration activity undertaken in the current year. • We have reviewed and challenged the Directors' assessment of future prospectivity and their plans to progress each licence or allow them to lapse, based on current commodity prices as well as information made available from evaluation work performed in the year. • We have reviewed the Directors' assessment to consider the Group's ability to raise new funding necessary to comply with the requirements of the current licences it has chosen to invest in and to undertake the desired level of exploration and drilling activities for the foreseeable future. • We agreed the impairment of £954,000 representing the full value of the licence held in Regents Resources Interest Corporation to historical costs capitalised in respect of this licence. *Key observations* We found the judgements used by the Directors in preparing the impairment assessment were reasonable.

exploration activities being undertaken on this licence in the current business plan.	

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined the materiality for the group financial statements as a whole to be £32,500 (2018: £59,910), calculated with reference to a benchmark of gross assets, of which it represents 2%. This is the threshold above which missing or incorrect information in financial statements is considered to have an impact on the decision makers of users. The Parent Company was audited to a materiality of £30,500 (2018: £59,900) calculated with reference to a benchmark of gross assets but capped to the overall group materiality.

Performance materiality is the application of the materiality at the individual account and balance level set as an amount to reduce to an appropriate low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at 75% (2018: 70%) of the above materiality levels given there has been limited experience of past misstatements.

We agreed to report to the Audit and Risk Committee all potential adjustments in excess of £650 being 2% of the group financial statements materiality as a whole, in addition to other identified misstatements that warranted reporting on qualitative grounds.

An overview of the scope of our audit

The scope of our group audit was established by obtaining an understanding of the group, including its control environment, and assessing the risks of material misstatement.

The Parent Company is an investment holding company with a number of investments as detailed in Note 15 of these financial statements. The financial statements consolidate the Parent Company along with these subsidiaries which had minimal level of trade throughout the period. Parent Company all six subsidiaries were treated as significant components and each was subject to a full scope audit carried out by BDO LLP.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on pages 21 and 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Simms

Michael Simms (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London UK
20 May 2020

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £'000	2018 £'000
Revenue			
Cost of sales		-	-
Gross profit		-	-
Operating expenses	**8**	(668)	(1,146)
Impairment	**14**	(954)	-
Fair value gains through profit or loss	**16**	36	-
Loss from operating activities		(1,586)	(1,146)
Loss before tax		(1,586)	(1,146)
Taxation	**11**	-	-
Loss for the year from continuing operations		(1,586)	(1,146)
Discontinued operations			
Loss from discontinued operations	**12**	-	(5,494)
Net loss for the year		(1,586)	(6,640)
Other comprehensive income			
Items that will or may be reclassified to profit or loss;			
Exchange translation		63	(39)
Exchange differences arising on translation of discontinued operation	**12**	-	(531)
Total other comprehensive income/(expense)		63	(570)
Total comprehensive expense for the year		(1, 523)	(7,210)
Loss for the period attributable to:			
Owners of the parent		(1,539)	(6,494)
Non-controlling interests		(47)	(146)
		(1,586)	(6,640)
Total comprehensive loss attributable to:			
Owners of the parent		(1,466)	(7,059)
Non-controlling interests		(57)	(151)
		(1,523)	(7,210)
Loss per share from continuing operations attributable to the ordinary equity holder of the parent:			
Basic and diluted loss per share (pence)	**20**	(0.55)	(1.83)
Loss per share from discontinued operations attributable to the ordinary equity holder of the parent:			
Basic and diluted loss per share (pence)	**20**	-	(8.78)
Total basic and diluted loss per share (pence)	**20**	(0.53)	(10.61)

The notes on pages 44 to 77 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Notes	2019 £'000	2018 £'000
Assets			
Intangible assets	14	1,126	2,082
Financial assets	16	309	-
Non-current assets		1,435	2,082
Trade and other receivables	17	32	39
Cash and cash equivalents	18	171	147
Current assets		203	186
Total assets		1,638	2,268
Equity			
Share capital	19	6,843	6,606
Share premium		13,228	12,453
Capital redemption reserve		5	5
Share based payment reserve	21	1,195	1,086
Exchange reserve		39	(34)
Accumulated losses		(19,530)	(17,991)
Total		1,780	2,125
Non-controlling interests		(208)	(151)
Total equity		1,572	1,974
Liabilities			
Trade and other payables	22	66	279
Deferred consideration		-	15
Current liabilities		66	294
Total liabilities		66	294
Total equity and liabilities		1, 638	2,268

The financial statements of Power Metal Resources plc, company number 07800337, were approved by the board of Directors and authorised for issue on 20 May 2020. They were signed on its behalf by:

Paul Johnson
Chief Executive Officer

The notes on pages 44 to 77 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Exchange reserve £'000	Accumulated losses £'000	Total £'000	Non-controlling interests £'000	Total Equity £'000
Balance at 1 October 2017	6,330	9,049	-	1,013	531	(11,497)	5,426	-	5,426
Loss for the year	-	-	-	-	-	(6,494)	(6,494)	(146)	(6,640)
Reclassification arising on subsidiary disposal	-	-	-	-	(531)	-	(531)	-	(531)
Total other comprehensive expense	-	-	-	-	(34)	-	(34)	(5)	(39)
Total comprehensive expense for the year	-	-	-	-	(565)	(6,494)	(7,059)	(151)	(7,210)
Issue of ordinary shares	212	1,783	-	-	-	-	1,995	-	1,995
Issue of ordinary shares for acquisitions	64	1,847	-	-	-	-	1,911	-	1,911
Costs of share issues	-	(154)	-	-	-	-	(154)	-	(154)
Repurchase of own shares	-	-	5	-	-	-	5	-	5
Share-based payments	-	(72)	-	73	-	-	1	-	1
	276	3,404	5	73	-	-	3,758	-	3,758
Balance at 30 September 2018	6,606	12,453	5	1,086	(34)	(17,991)	2,125	(151)	1,974

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Exchange reserve £'000	Accumulated losses £'000	Total £'000	Non-controlling interests £'000	Total Equity £'000
Balance at 1 October 2018		6,606	12,453	5	1,086	(34)	(17,991)	2,125	(151)	1,974
Loss for the year		-	-	-	-	-	(1,539)	(1, 539)	(47)	(1,586)
Total other comprehensive expense		-	-	-	-	73	-	73	(10)	63
Total comprehensive expense for the year		-	-	-	-	73	(1,539)	(1,466)	(57)	(1,523)
Issue of ordinary shares		237	950	-	-	-	-	1,187	-	1,187
Costs of share issues		-	(93)	-	-	-	-	(93)	-	(93)
Share-based payments	**21**	-	(82)	-	109	-	-	27	-	27
		237	775	-	109	-	-	1,121	-	1,121
Balance at 30 September 2019		6,843	13,228	5	1,195	39	(19,530)	1,780	(208)	1,572

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 SEPTEMBER 2019

	Notes	2019 £'000	2018 £'000
Cash flows used in operating activities			
Loss for the year		(1,586)	(6,640)
Adjustments for:			
- Fair value adjustment	**16**	(36)	-
- Impairment	**14**	954	5,713
- Expenses settled in shares	**19**	186	307
- Finance expense		-	5
- Share-based payment expense	**21**	27	73
- Foreign exchange differences		65	(623)
- Loss on disposal of fixed assets		-	141
		(390)	(1,024)
Changes in working capital:			
- Decrease in trade and other receivables	**17**	8	71
- Decrease in trade and other payables	**22**	(209)	(240)
Net cash used in operating activities		(591)	(1,193)
Cash flows from investing activities			
Purchase of intangibles	**14**	(15)	(206)
Purchase of financial assets at fair value through profit or loss	**16**	(273)	-
Cash acquired with subsidiary		-	50
Net cash outflows from investing activities		(288)	(156)
Cash flows from financing activities			
Proceeds from issue of share capital	**19**	1,000	1,689
Issue costs	**19**	(93)	(226)
Repayment of short term loans		-	(15)
Repayment of loan under equity agreement		-	(133)
Net cash inflows from financing activities		907	1,315
Increase/(decrease) in cash and cash equivalents		28	(34)
Cash and cash equivalents at beginning of year		147	180
Exchange (loss)/gain on cash and cash equivalents		(4)	1
Cash and cash equivalents at 30 September	**18**	171	147

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Notes	2019 £'000	2018 £'000
Assets			
Investments	15	1,126	2,132
Financial assets	16	309	-
Non-current assets		1,435	2,132
Trade and other receivables	17	538	534
Cash and cash equivalents	18	171	96
Current assets		709	630
Total assets		2,144	2,762
Equity			
Share capital	19	6,843	6,606
Share premium		13,228	12,453
Capital redemption reserve		5	5
Share based payment reserve	21	1,195	1,086
Accumulated losses		(19,225)	(17,682)
Total Equity		2,046	2,468
Liabilities			
Trade and other payables	22	98	279
Deferred consideration		-	15
Current liabilities		98	294
Total liabilities		98	294
Total equity and liabilities		2,144	2,762

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent Company is not presented as part of these financial statements. The loss for the financial year dealt with in the financial statements of the parent Company was £1,462,000 (2018: £14,875,000).

The financial statements of Power Metal Resources plc, company number 07800337, were approved by the board of Directors and authorised for issue on 20 May 2020. They were signed on its behalf by:

Paul Johnson
Chief Executive Officer

POWER METAL RESOURCES PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Share capital	Share premium	Capital redemption reserve	Share based payment reserve	Accumulated losses	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2017	6,330	9,049	-	1,013	(2,807)	13,585
Loss for the year	-	-	-	-	(14,875)	(14,875)
Total comprehensive expense for the year	-	-	-	-	(14,875)	(14,875)
Issue of ordinary shares	212	1,783	-	-	-	1,995
Issue of shares for acquisitions	64	1,847	-	-	-	1,911
Costs of share issues	-	(154)	-	-	-	(154)
Repurchase of own shares	-	-	5	-	-	5
Share based payments	-	(72)	-	73	-	1
	276	3,404	5	73	-	3,758
Balance at 30 September 2018	6,606	12,453	5	1,086	(17,682)	2,468

The notes on pages 44 to 77 are an integral part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Accumulated losses £'000	Total Equity £'000
Balance at 1 October 2018		6,606	12,453	5	1,086	(17,682)	2,468
Effect of adoption of IFRS 9	**26**	-	-	-	-	(81)	(81)
Balance at 1 October 2018 restated		6,606	12,453	5	1,086	(17,763)	2,387
Loss for the year		-	-	-	-	(1,462)	(1,462)
Total comprehensive expense for the year		-	-	-	-	(1,462)	(1,462)
Issue of ordinary shares		237	950	-	-	-	1,187
Costs of share issues		-	(93)	-	-	-	(93)
Share-based payments	**21**	-	(82)	-	109	-	27
		237	775	-	109	-	1,121
Balance at 30 September 2019		6,843	13,228	5	1,195	(19,225)	2,046

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Loss for the year		(1,462)	(14,875)
Adjustments for:			
- Fair value adjustment	**16**	(36)	-
- Impairment	**15**	1,006	14,385
- Expenses settled in shares	**19**	186	307
- Share based payment expense	**21**	27	73
- Finance expense		-	5
		(279)	(105)
Changes in working capital:			
- Decrease in trade and other receivables	**17**	(85)	(1,011)
- Decrease in trade and other payables	**22**	(176)	(71)
Net cash used in operating activities		(540)	(1,187)
Cash flows from investing activities			
Investment in subsidiary undertakings	**15**	(15)	(205)
Purchase of financial assets at fair value through profit or loss	**16**	(273)	-
Net cash outflows from investing activities		(288)	(205)
Cash flows from financing activities			
Proceeds from issue of share capital	**19**	1,000	1,689
Issue costs	**19**	(93)	(226)
Loan under equity agreement		-	(133)
Net cash inflows from financing activities		907	1,330
Increase/(decrease) in cash and cash equivalents		79	(62)
Cash and cash equivalents at beginning of year		96	157
Exchange (losses)/gains on cash and cash equivalents		(4)	1
Cash and cash equivalents at 30 September	**18**	171	96

The notes on pages 44 to 77 are an integral part of these financial statements

1. Reporting entity

Power Metal Resources plc is a public company limited by shares which is incorporated and domiciled in England and Wales. The address of the Company's registered office is 201 Temple Chambers, 3-7 Temple Avenue, London EC4Y 0DT. The consolidated financial statements of the Company as at and for the year ended 30 September 2019 include the Company and its subsidiaries. The Group is primarily involved in the exploration and exploitation of mineral resources in Africa.

2. Going concern

The financial statements are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the current and future position of the Group, including current level of resources, additional funding raised in February 2020 and the required level of spending on exploration and drilling activities. As part of their assessment, the Directors have also taken into account the ability to raise new funding whist maintaining an acceptable level of cash flows for the Group to meet all commitments.

In the current business climate, the Directors acknowledge the COVID-19 pandemic and has implemented logistical and organisational changes to underpin the Group's resilience to COVID-19, with the key focus being minimising the impact on critical work streams, ensuring business continuity and conserving cash flows. COVID-19 may impact the Group in varying ways leading to the Group reducing all non-essential expenditure, the potential impairment of assets held, the Group's ability to finance exploration and drilling activities and meet commitments relating to its investments, including for transactions entered into after the financial reporting date (note 27) The inability to gauge the length of such disruption further adds to this uncertainty. For these reasons, the preservation of cash flows is a primary focus for the Directors.

The Directors have stress tested the Group's cash projections, which involves preserving cash flows and adopting a policy of minimal cash spending for a period of at least 12 months from the date of approval of these financial statements. The Directors believe the measures they have put in place together with the funds raised in February 2020 (note 27), and a planned fundraising in November 2020 will result in sufficient working capital and cash flows to continue in operational existence, assuming that all exploration and drilling activities are managed carefully and curtailed if necessary. For the Group to carry out the desired levels of exploration and drilling activities, the Directors believe that it needs to secure further funding either from a strategic partner or subsequent equity raisings in the next financial year, which the Group has succeeded in completing over recent years. Taking these matters in consideration, the Directors continue to adopt the going concern basis of accounting in the preparation of the financial statements.

The need to complete a fundraising in November 2020 indicates that a material uncertainty exists which may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern and therefore its ability to settle it debts and realise its assets in the normal course of business.

The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

3. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union, and as applied to the parent company by the Companies Act 2006.

3. Basis of preparation (continued)

(b) New and amended standards, and interpretations issued and effective for the financial year beginning 1 October 2018

IFRS 9 replaces all phases of the financial instruments project and IAS 39 'Financial Instruments: Recognition and Measurement'. The standard is effective from periods beginning on or after January 2018 and introduces new requirements for the classification and measurement of financial assets and financial liabilities; and a new model for recognising provisions based on expected credit losses (“ECLs”). The impact of IFRS 9 has been assessed at a Group level, and there is no material impact on the consolidated results of the Group, as assets other than cash are immaterial and the ECL impairment is minimal.

The adoption of IFRS 9 has impacted the Parent company. This is a result of the existing incurred loss approach under IAS 39 being replaced by the forward-looking ECL model approach of IFRS 9. The ECL model is required to be applied to the intercompany loan receivable which is classified as held at amortised cost. Please refer to note 27 for the detail on the impact and the financial assets accounting policy included in this note on page 46.

The Company has opted to apply the transition method which requires a retrospective application for the first time adoption of IFRS 9, however the standard allows the Company a policy choice to not restate the comparative information with differences being recorded in opening retained earnings, these changes have been processed at the date of initial application (i.e. 1 October 2018), and presented in the statement of changes in equity as at 30 September 2019.

IFRS 15 – Revenue with Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The adoption of this standard has had no effect on the Group, as the Group does not currently have any revenue.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis with the exception of the following items; (refer to Note 6 for individual accounting policies and details):

- Derivative financial assets and liabilities

(d) Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling, which is the Company’s functional currency. All financial information presented has been rounded to the nearest thousand, except when otherwise indicated.

(e) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

3. Basis of preparation (continued)

(f) Use of estimates and judgements

The estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and/or have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Group

Carrying value of intangible assets – Notes 4(f) and 14

The Group determines whether there are any indicators of impairment of intangible assets on an annual basis

Classification of investments - Note 4(c)

The Group determines the classification of investment in associates based on whether significant influence is held in the entity. The existence of significant influence is evidenced in the following ways:

- Board of directors representation,
- Management personnel swapping or sharing,
- Material transactions with the investee,
- Policy-making participation,
- Technical information exchanges.

If there is no evidence of any of the above, the Group determines that investments held are classified as financial assets.

Parent

Receivables from Group undertakings – Note 17

The Parent Company in applying the ECL model under IFRS 9 must make assumptions when implementing the forward-looking ECL model. This model is required to be used to assess the intercompany loans receivable from subsidiaries for impairment.

Estimations were made regarding the credit risk of the counterparty and the underlying probability of default in each of the credit loss scenarios. The scenarios identified by management included Production, Divestment, Fire-sale and Failure. These scenarios considered technical data, necessary licences to be awarded, the Company's ability to raise finance, and ability to sell the project. The directors make judgements on the expected likelihood and outcome of each of the above scenarios, and these expected values are applied to the loan balances.

4. Significant accounting policies

The accounting policies set out below have been applied consistently throughout the year presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is when the investor has power over the investee, exposure or rights, to variable returns from its involvements with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.

When the excess is positive, goodwill is recognised in the statement of financial position, if the excess is negative, a bargain purchase price is recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries have been included in the consolidated financial statements from the date that control commences until the date that control ceases.

Costs incurred in the acquisition of subsidiaries that does not relate to the issue of equity or arrangement of debt are capitalised to the cost of investment.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Foreign currency differences arising on retranslation into an entity's functional currency are recognised in profit or loss.

4. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, are translated to pounds sterling at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to pounds sterling at exchange rates at the dates of the transactions, with differences recognised in other comprehensive income.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income, and presented in the exchange reserve in equity.

(c) Financial instruments

(i) Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows;

Amortised cost

The Group's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime ECLs. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

4. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Financial assets (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Fair value through profit or loss

Financial assets held at fair value through the profit or loss comprise equity investments held and derivative assets for call options. These are carried in the statement of financial position at fair value. Subsequent to initial recognition, changes in fair value are recognised in the statement of comprehensive income.

Financial liabilities
The Group classifies its financial liabilities in the category of financial liabilities at amortised cost. All financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provision of the instrument.

Financial liabilities measured at amortised cost include trade payables and other short-dated monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Unless otherwise indicated, the carrying values of the Group’s financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

4. Significant accounting policies (continued)

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(e) Intangible assets

(i) Prospecting and exploration rights

Rights acquired with subsidiaries are recognised at fair value at the date of acquisition. Other rights acquired and development expenditure are recognised at cost.

Exploration and evaluation costs arising following the application for the legal right, are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. When a project is deemed not feasible, related costs are expensed as incurred. Costs incurred include any costs pertaining to technical and administrative overheads. Administration costs that are not directly attributable to a specific exploration area are expensed as incurred, and subsequently capitalised if it is reasonably certain that a resource will be defined.

Capitalised development expenditure will be measured at cost less accumulated amortisation and impairment losses.

(f) Impairment

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation expenditure are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise such as:

- unexpected geological occurrences that render the resource uneconomic;
- title to the asset is compromised;
- variations in mineral prices that render the project uneconomic;
- substantive expenditure on further exploration and evaluation of mineral resources is neither budgeted nor planned; and
- the period for which the Group has the right to explore has expired and is not expected to be renewed.

Impairment losses are recognised in profit or loss. For all assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4. Significant accounting policies (continued)

(g) Employee benefits – share based payments

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(h) Finance income and finance expense

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4. Significant accounting policies (continued)

(i) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) Discontinued operations

Discontinued operations comprise those activities that were ceased during the period, and represent a major line of business or geographical area that can be clearly distinguished for operational and financial reporting purposes. Cash flows and operations that has been disposed of during the period are shown separately from continuing operations.

5. New standards and interpretations not yet adopted

Standards, Amendments to published Standards and Interpretations issued but not yet effective

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 3 (Amendments) Business Combinations, effective 1 January 2020 (subject to EU endorsement);
IFRS 16 Leases, effective 1 January 2019, and;
IFRIC 23 "Uncertainty over income tax treatments", effective 1 January 2019.

Where relevant, the Group is evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements. The Directors have assessed there to be no material impact of for standards on the Group financial statements of the new standards or interpretations issued.

6. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Intangible assets
The fair value of intangible assets acquired in business combinations are based on external valuations or on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(ii) Derivative financial assets
Derivative financial assets are measured at fair value, at initial recognition, for measurement and for disclosure purposes, at each annual reporting date.

(iii) Share-based payments
The fair value of the employee and director share options and warrants are measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option and warrant holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

7. Operating segments

The Group has one single business segment which is the exploration of mineral resources and exploitation.

During the year, the Company acted as the holding company of entities involved in mineral resources exploration and exploitation in the Democratic Republic of Congo, Cameroon, the Ivory Coast and Sierra Leone (which was discontinued during the year), therefore has the following geographical segments, detailed in the tables below. None of the segments generated revenue during the period.

	2019	**2018**
Non-current Assets	**£'000**	**£'000**
Cameroon	970	970
Democratic Republic of Congo	156	156
Ivory Coast	-	956
Total	1,126	2,082

The following impairment losses were recognised in the profit and loss at the year end:

	2019	**2018**
	£'000	**£'000**
Ivory Coast	954	-
Sierra Leone	-	5,713
Total	954	5,713

8. Operating expenses

Operating expenses include:	2019 £'000	2018 £'000
Staff costs (note 9)	184	465
Foreign exchange gain	(4)	(8)
Share based payment expense	28	-
Auditor's remuneration – audit services	27	23

Auditor's remuneration in respect of the Company amounted to £27,000 (2018: £23,000).

9. Staff costs

	2019 £'000	2018 £'000
Wages and salaries	-	168
Social security contributions	1	23
Directors fees	167	273
Share based payment	16	1
	184	465

The monthly average number of employees (including Directors) during the period was:

	2019	2018
Directors	4	4
Other employees	-	37
	4	41

There were no employees other than the Directors in the year ended 30 September 2019, with all employees other than the Directors in the prior year being employed by Blue Horizon (SL), which the Group placed into voluntary liquidation on 27 September 2018.

10. Directors' emoluments

2019	Executive £'000	Non-executive £'000	Total £'000
Fees	-	17	17
Wages and salaries	137	13	150
Share based payments	8	8	16
Total	145	38	183

2018	Executive £'000	Non-executive £'000	Total £'000
Fees	14	25	39
Wages and salaries	232	2	234
Share based payments	-	1	1
Total	246	28	274

10. Directors' emoluments (continued)

Emoluments disclosed above include the following amounts paid to the highest Director:

	2019	2018
	£'000	£'000
Emoluments for qualifying services	58	133

11. Taxation

Reconciliation of tax expense

	2019	2018
	£'000	£'000
Losses from operations	(1,586)	(1,146)
Tax using the Company's effective domestic tax rate of 19% (2018: 19%)	(301)	(218)
Effects of:		
Current losses with no recognisable deferred tax asset	301	218
	-	-

Factors that may affect future tax charges

At the year end, the Group had unused tax losses available for offset against suitable future profits of approximately £4,159,009 (2018: £2,573,009). A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

The main rate of UK corporation tax during the year ended 30 September 2019 was 19.00 per cent (2018: 19.00 per cent).

12. Discontinued operations

On 27 September 2018, the Group agreed to place Blue Horizon (SL) into voluntary liquidation.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows;

	2019	2018
	£'000	£'000
Expenses	-	(622)
Loss of discontinued operation		(622)
Loss on disposal of subsidiary	-	(4,872)
Loss from discontinued operations	-	(5,494)
Reclassification of translation reserve of discontinued operations	-	(531)
Total comprehensive expense from discontinued operations	-	(6,025)
Loss per share relating to discontinued operations (pence)		(8.78)
Net cash outflows from operating activities		(332)
Net cash outflows from investing activities	-	-
Net cash decrease incurred by subsidiary	-	(332)

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation:

	2019	2018
	£'000	£'000
Carrying amount of net assets disposed	-	(3,950)
Loss on disposal before income tax and reclassification of foreign currency translation reserve	-	(3,950)
Reclassification of foreign exchange currency reserve	-	531
Write off of loan balances and realised exchange losses	-	(1,453)
Loss on disposal after income tax	-	(4,872)

The tax losses to be forfeited as a result of the discontinuation and subsequent disposal of Blue Horizon are £9,994,420 comprising of £622,000 for the loss to 30 September 2018 and the brought forward losses attributable to the subsidiary of £9,372,420.

13. Property, plant and equipment

Group

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 October 2017	159	595	44	798
Disposals	(159)	(595)	(43)	(797)
Balance at 30 September 2018	-	-	1	1
Balance at 1 October 2018	-	-	1	1
Additions	-	-	-	-
Balance at 30 September 2019	-	-	1	1
Depreciation				
Balance at 1 October 2017	97	518	42	657
Disposals	(97)	(518)	(41)	(656)
Balance at 30 September 2018	-	-	1	1
Balance at 1 October 2018	-	-	1	1
Disposals	-	-	-	-
Balance at 30 September 2019	-	-	1	1
Carrying amounts				
At 30 September 2018	-	-	-	-
At 30 September 2019	-	-	-	-

14. Intangible assets

Group

	Prospecting and exploration rights £'000
Cost	
As at 1 October 2017	5,661
Additions	2,082
Effect of movements in exchange rate	52
Balance at 30 September 2018	7,795
As at 1 October 2018	7,795
Effect of movements in exchange rate	(2)
Balance at 30 September 2019	7,793
Impairment	
As at 1 October 2017	-
Charge	5,713
Balance at 30 September 2018	5,713
As at 1 October 2018	5,713
Charge	954
Balance at 30 September 2019	6,667
Net book value	
At 30 September 2018	2,082
At 30 September 2019	1,126

The opening balance of intangible assets was initially recognised on the acquisition of the three subsidiaries, Power Metal Resources SA (formerly ABM Kobald SAS), (PMR), Cobalt Blue Holdings (CBH) and Regent Resources Interests Corporation (RRIC).

	2019 £'000	2018 £'000
Intangible assets		
PMR	156	156
CBH	970	956
RRIC	-	970
Total	1,126	2,082

The Directors regularly assess the carrying value of the Group's assets, including its prospecting and exploitation rights, and write off any exploration expenditure that they believe to be unrecoverable.

14. Intangible assets (continued)

PMR

The Company holds the rights to a licence held by PMR, in the Democratic Republic of Congo. The two phases of exploration carried out since acquisition in December 2017 of the Kisinka licence is now being followed up by as recently announced by a third programme of pitting, geology, and sampling in order to define better the significant 6.8km copper anomaly identified in the first programme, as well as to test for cobalt. As a licence in a prospective area and close to existing discoveries, with a significant apparent discovery awaiting confirmation, this license in the Board's view is likely to have a value greatly in excess of sums expended, and the carrying value is not subject to any impairment.

CBH

At the reporting date, the Group held four Cameroon-based nickel-cobalt exploration licences through two 100% owned subsidiaries of CBH. Through one of these subsidiaries CBH has also applied for two further Cameroon-based nickel-cobalt exploration licences. These licences expire in the first quarter of 2021, unless renewed. The licences may be renewed three times for periods of two years provided that obligations have been met by the licensee.

The locations of the four licences held and the Ntam Est licence applied for are either adjacent to, or within 50km of the Nkamouna/Mada Cobalt Project ("Nkamouna/Mada") in Cameroon, formerly owned by ex-TSX-listed Geovic Mining Corp ("Geovic"), where in 2011 SRK Consulting (US) Inc. reported a giant NI 43-101 compliant cobalt/nickel resource.

The results of the exploration carried out in early 2019 confirmed that the licences contain tropical laterite material, like Nkamouna/Mada, but the exploration to date has not identified cobalt or nickel mineralisation. The work undertaken has identified a need to move exploration to higher elevations to target enhanced cobalt mineralisation.

Further exploration, though not currently budgeted, is planned and an assessment of this next stage will be carried out in due course. The long time horizon and very large scale of the target mineralisation make this a strategic asset where the Company could well recover its investment through sale or joint venture. The directors believe the carrying value of the should not in be subject to impairment.

RRIC

The Company also held the right to earn into 70% of the Lizetta II chrome, nickel, cobalt exploration licence ("Lizetta-II") in Côte d'Ivoire by expending a total of USD 850,000 on the project over the period to June 2021, through RRIC. RRIC entered into the above agreement with Regent Resources Capital Corporation (RRCC). Lizetta-II is located 77km NW of Bouake, which is 342km north of Abidjan, the commercial capital of Côte d'Ivoire , and covers approximately 380 sq. km. Local infrastructure includes road access, the proximity of major river creeks and electric networks sufficient for any industrial operations on the property. Historical data shows anomalous concentrations of nickel, cobalt and chromite mineralisation in the ultramafic rocks of the Marabadiassa-Alekro area. An independent assessment commissioned by RRCC confirmed the potential to host cobalt, nickel and chrome mineralisation of economic potential and proposed an initial field programme consisting of historical data compilation, geological mapping, geophysical surveys, trenching and RC drilling. The proposed follow-up phase would be extensive drilling to allow the definition of a JORC/NI 43-101 code compliant resource.

14. Intangible assets (continued)

During the year under review, no exploration activities relating to the Group's exploration activities on the Lizetta-II have been capitalised. As at the end of the year ended 30 September 2019, the Directors believe that a 100% impairment charge in relation to the asset, amounting to £954,000 is prudent due to the cease of exploration. The high valuation on Sama provides evidence that the thesis of an emerging and previously barely explored base metal province has investor creditability, but the lack of recent activity by them of other parties along trend means the Company needs to reset its relationship with its local partner through renewed activity. There is no budget or plan that currently exists in relation to this.

Intangible assets are not pledged as security or held under any restriction of title.

15. Investments

Company	**Investment in subsidiary undertakings £'000**
As at 1 October 2017	3,687
Additions	2,132
Balance at 30 September 2018	5,819
As at 1 October 2018	5,819
Additions	-
Balance at 30 September 2019	5,819
Impairment	
As at 1 October 2017	-
Charge	3,687
Balance at 30 September 2018	3,687
As at 1 October 2018	3,687
Charge	1,006
Balance at 30 September 2019	4,693
Net book value	
At 30 September 2018	2,132
At 30 September 2019	1,126

Non-current investments	**2019 £'000**	**2018 £'000**
Investment in PMR	156	156
Investment in CBH	970	970
Investment in RRIC	-	1,006
Total Investment in subsidiaries	1,126	2,132

At the date of this report, all subsidiaries are still owned by the Company. During the year, impairment of £1,006,000 was recorded in relation to RRIC. See further detail in note 14.

15. Investments (continued)

Directly	Activity	Country of incorporation	Ownership interest	Registered office
Power Metal Resources SA (formerly ABM Kobald SAS)	Mining and exploration	Democratic Republic of Congo	70%	No. 1022, Avenue of the Congolese Armed Forces, Gombe River Gallery, Kinshasa, DRC
Regent Resources Interests Corporation	Mining and exploration	British Virgin Islands	100%	P.O. Box 2283, ABM Chambers, Columbus Centre, Road Town, Tortola, British Virgin Islands
Cobalt Blue Holdings Inc	Mining and exploration	British Virgin Islands	100%	Intershore Chambers, Road Town, Tortola, British Virgin Islands
Loxcroft Cameroon Holdings Ltd	Mining and exploration	Cameroon	100% indirectly	P.O. Box 25647, Bastos, Yaoundé, Republic of Cameroon
LC Minerals Ltd	Mining and exploration	Cameroon	100% indirectly	P.O. Box 25647, Bastos, Yaoundé, Republic of Cameroon
LC Exploration Ltd	Mining and exploration	Cameroon	100% indirectly	P.O. Box 25647, Bastos, Yaoundé, Republic of Cameroon

For the year ended 30 September 2019, the subsidiary Power Metals SA incurred a loss of £155k. There were no other material losses in the subsidiaries.

16. Financial assets with fair value through profit & loss

Group

	Listed £'000	Unlisted £'000	2019 Total £'000	2018 Total £'000
Opening balance	-	-	-	-
Additions	96	177	273	-
Fair value adjustment – equity investment	28	-	28	
Fair value adjustment – derivative assets	8	-	8	-
Closing balance	132	177	309	-

16. Financial assets with fair value through profit & loss (continued)

Company

	Listed £'000	**Unlisted £'000**	**2019 Total £'000**	**2018 Total £'000**
Opening balance	-	-	-	-
Additions	96	177	273	-
Fair value adjustment – equity investments	28	-	28	
Fair value adjustment – derivative assets	8	-	8	-
Closing balance	132	177	309	-

On 15 March 2019, the Company entered into an option agreement with Katoro Gold plc (Katoro) to acquire an interest in the Haneti Nickel Project in Tanzania through Katoro's subsidiary, Kibo Nickel Ltd (Kibo). Under the agreement, the Company is able to acquire up to 10 million new ordinary shares of 1.0 pence each in the capital of Katoro, together with 10 million warrants over ordinary shares, and an option to acquire up to a 35% interest in the Haneti project, altogether for total consideration of £125,000, payable in three tranches depending on whether the option is taken. The £125,000 is split between the consideration for Katoro and the acquisition of the interest in the project.

At the year end, the Company had exercised the first two options and had acquired 2,500,000 and 7,500,000 ordinary shares in Katoro. The fair value of the interest held in Katoro, as adjusted at the year end based on the share price at 30 September 2019, was equivalent to £92,500.

The premium paid for the Haneti project amounted to £23,525, which was recorded as an investment in Kibo at the year end. As the Group do not hold significant influence over the entity, it is not deemed to be an associate at the year end.

In addition to the above, the Company received the same amount of warrants which were valued as at 30 September 2019, using the Black Scholes method, using the following assumptions:

Risk free interest rate	0.436%
Expected volatility	60%
Expected dividend yield	0.00%
Life of the option	2 years
Share price at measurement date	£0.0090

The total amount recorded in the financial statements at the year end in respect of the fair value of the warrants granted on 15 March 2019 and 15 May 2019 is £20,490. The amount is included in the total Katoro Gold investment as a fair value adjustment related to derivative assets.

On 13 May 2019, the Company announced it had entered into a share acquisition and earn-in agreement in respect of a nickel-PGM opportunity in Botswana, through an 18.26% interest in Kalahari Key Mineral

16. Financial assets with fair value through profit & loss (continued)

Exploration Pty Ltd (Kalahari Key), holding an 100% interest in the Molopo Farms Complex Project (MFC), for a total consideration of US$194,810, equivalent to £153,313. Since the Company's investment, initial work has led to the identification of drill targets and remains prospective. The Board consider the carrying value of the asset satisfactory at the 30 September 2019.

At the reporting date, the Company holds 18.26% in Kalahari Key, and depending on the results of exploration work, has the option to earn-in to an additional 40%. If the exploration results are favourable the Company hold can to earn-in to the additional 40% by spending $500,000 on the project. When this option is taken, the Company is entitled to representation on the project board and will hold significant influence and control in the Company.

In August 2019, the Company acquired 1,000,000 shares in Kavango Resources plc (Kavango). At the year end, the fair value of these shares was adjusted by £28,750, based on the share price of Kavango as at 30 September 2019, equivalent to £19,000. The adjustment is included in the fair value adjustment of equity investments.

17. Trade and other receivables

Group

	2019	2018
	£'000	£'000
Other receivables	11	20
Prepayments	21	19
	32	39

Company

	2019	2018
	£'000	£'000
Receivables due from group undertakings	507	497
Other receivables	11	28
Prepayments	20	9
	538	534

The Group and Company's exposure to credit, market and currency risk related to other receivables is disclosed in note 24. Receivables due from group undertakings are net of expected credit losses (ECLs) for the year ended 30 September 2019 of £14k. The ECLs have been determined based on historical data available to the Directors in addition to forward looking information utilising the Directors' knowledge and the Directors are comfortable the balance net of ECLs is recoverable. The opening ECL have been restated through retained earnings, details of which can be found in note 26.

18. Cash and cash equivalents

Group

	2019 £'000	2018 £'000
Bank balances	171	147
Cash and cash equivalents	171	147

Company

	2019 £'000	2018 £'000
Bank balances	171	96
Cash and cash equivalents	171	96

19. Share capital

	Number of ordinary shares	
	2019	**2018**
Ordinary shares in issue at 1 October	136,579,143	31,187,691
Issued for cash	200,000,000	41,716,667
Issued in settlement for expenses	36,258,958	5,308,722
Company buy back	-	(5,324,384)
Issued in relation to acquisitions	-	63,690,447
In issue at 30 September – fully paid (par value 0.1p)	372,838,101	136,579,143

2018 has been restated above for the 100 to 1 share consolidation that took place in August 2018.

	Number of deferred shares	
	2019	**2018**
Deferred shares in issue at 1 October	3,628,594,957	356,848,594
Issued on subdivision ("Deferred A")	-	3,271,746,363
In issue at 30 September	3,628,594,957	3,628,594,957

	Ordinary share capital	
	2019 £'000	**2018 £'000**
Balance at beginning of year	6,606	6330
Share issues	237	281
Consolidation	-	(5)
Balance at 30 September	6,843	6,606

All ordinary shares rank equally with regard to the Company's residual assets.

19. Share capital (continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Both classes of deferred shares (Deferred and Deferred A), do not entitle the holders thereof to receive notice of or attend and vote at any general meeting of the Company or to receive dividends or other distributions or to participate in any return on capital on a winding up unless the assets of the Company are in excess of £1,000,000,000,000. The Company retains the right to purchase the deferred shares from any shareholder for a consideration of one penny in aggregate for all that shareholder's deferred shares. As such, the deferred shares effectively have no value. Share certificates will not be issued in respect of the deferred shares.

Issue of ordinary shares

On 28 January 2019, the Company completed, subject to shareholder approval, a refinancing and business strategic update, including the placing and subscription of 200,000,000 new Ordinary Shares of 0.5 pence each, raising £1,000,000.

On the same day, the Company announced that Red Rock Resources plc, a company associated with the incoming Executive Chairman, and Paul Johnson, the incoming Executive Director, were each awarded 5,000,000 new Ordinary Shares at 0.5 pence each as payment for restructuring fees; £50,000 of costs were settled by this share issue.

The Company also issued 13,402,938 ordinary shares at 0.5 pence each for the settlement of creditor balances and 3,056,020 ordinary shares at 0.5 pence each to Roger Murphy and Matthew Wood in lieu of Directors fees, £82,295 of costs were settled by these share issues. Roger Murphy and Matthew Wood resigned as directors of the company on 15 February 2019 and 29 March 2019, respectively.

In August 2019, the Company announced the payment of certain cash fees through an issue of 9,800,000 ordinary shares at a price of 0.55p per share. The fees payable amounted to a cash value of £53,900.

20. Loss per share

Basic and diluted loss per share
The calculation of basic and diluted loss per share is based on the loss attributable to ordinary shareholders of £1,539,176 (2018: £6,642,581), and a weighted average number of ordinary shares in issue of 278,814,166 (2018: 62,547,951).

21. Share options and warrants

Reconciliation of outstanding share options:

2019

	Number of options	Weighted average exercise price (£'s)
Outstanding at 1 October 2018	1,147,500	0.749
Granted during the year	27,227,858	0.015
Outstanding at 30 September 2019	28,375,358	0.764
Exercisable at 30 September 2019	27,875,358	0.546

The weighted average contractual life of the options outstanding at the reporting date is 1 year and 108 days.

Exercise prices of share options outstanding at the end of the period:

50,000	£4.500
97,500	£6.000
1,000,000	£0.050
27,227,858	£0.015

2018

	Number of options	Weighted average exercise price (£'s)
Outstanding at 1 October 2017	29,750,000	0.050
Lapsed during the year prior to share consolidation	(15,000,000)	0.045
Outstanding immediately prior to share consolidation	14,750,000	0.055
Outstanding immediately post share consolidation	147,500	5.492
Granted during the year subsequent to share consolidation	1,000,000	0.05
Outstanding at 30 September 2018	1,147,500	0.749
Exercisable at 30 September 2018	147,500	5.492

Included within the options issued in the year were options issued to Directors of 27,227,858 (2018: 1,000,000).

Directors Options

2019

	Exercise price (£'s)	Number of Options
Andrew Bell	0.015	13,613,929
Paul Johnson	0.015	13,613,929
		27,227,858

21. Share options and warrants (continued)

2018

	Exercise price (£'s)	Number of Options
Scott Richardson Brown	0.05	1,000,000
		1,000,000

The fair values of the options granted during the year were calculated using the Black Scholes Model using the following assumptions:

Risk free interest rate	0.720%
Expected volatility	70%
Expected dividend yield	0.00%
Life of the option	1 year
Weighted average share price	0.005p

No Directors exercised options or warrants in the year ended 30 September 2019 (2018: Nil).

Reconciliation of outstanding warrants

2019	**Number of warrants**	**Weighted average exercise price (£'s)**
Outstanding at 1 October 2018	8,298,050	0.274
Lapsed during the year	(866,570)	0.068
Granted during the year	211,000,000	0.011
Outstanding and exercisable at 30 September 2019	218,431,480	0.019

The weighted average remaining contractual life of the warrants outstanding at the reporting date is 1 year and 147 days.

2018	**Number of warrants**	**Weighted average exercise price (£'s)**
Outstanding at 1 October 2017	676,305,036	0.008
Lapsed during the year prior to share consolidation	(21,500,000)	0.0003
Granted during the year prior to share consolidation	175,000,000	0.009
Outstanding immediately prior to share consolidation	829,805,036	0.003
Outstanding immediately post share consolidation	8,298,050	0.274
Outstanding and exercisable at 30 September 2018	8,298,050	0.274

21. Share options and warrants (continued)

Directors Warrants

No warrants were issued to Directors in the year ended 30 September 2019 (2018: Nil);

6,000,000 of the warrants issued in the year ended 30 September 2019 were issued on 15 February 2019 and have an exercise price of £0.05, the remaining 205,000,000 were also issued on 15 February 2019 and have an exercise price of £0.01. All warrants issued on 15 February 2019 have a subscription period to 15 February 2021. All warrants vested at date of issue.

Of the total number of warrants outstanding at 30 September 2019, 218,431,480 have vested and are exercisable (2018 : 8,298,050).

The fair values of the warrants granted during the year were calculated using the Black Scholes Model using the following assumptions:

Risk free interest rate	0.737%
Expected volatility	70%
Expected dividend yield	0.00%
Life of the warrant	1 year
Weighted average share price	0.01p

£82k has been recognised in share premium as this relates to the fair value assigned to the warrants issued as part of share placings which took place during the year and £27k has been recognised as an share based payment expense in the Income Statement related to options and warrants issued not as part of share placings.

22. Trade and other payables

Group

	2019	2018
	£'000	£'000
Trade payables	20	127
Accrued expenses	46	152
	66	279

Company

	2019	2018
	£'000	£'000
Trade payables	20	127
Accrued expenses	46	152
Payable to group undertakings	32	-
	98	279

The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

23. Short term borrowings

Group

	2019 £'000	2018 £'000
Short term borrowings – Opening Liability	-	15
Funds applied to short term loans	-	(15)
Short term borrowings – Closing Liability	-	-

Included above in year ended 30 September 2018 is an amount to assist in the short term financing of Blue Horizon (SL), US$16,500 (£12,300) which was advanced by Nicholas Warrell on 1 April 2016 , this amount is unsecured and interest free. This amount was written off when Blue Horizon (SL) was in liquidation on the 27 September 2018.

The parent company had no short term borrowings at 30 September 2019 (2018: nil)

24. Financial instruments

Financial risk management

Overview
The Group has exposure to the following risks arising from financial instruments.

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework
The Company's board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Cost may be an appropriate estimation of fair value at the measurement date only in limited circumstances, such as for a pre-revenue entity when there is no catalyst for change in fair value, or the transaction date is relatively close to the measurement date. Other indicators include insufficient recent information , Wide range of possible fair values and cost represents the best estimate.

24. Financial instruments (continued)

Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

30 September 2019

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial Assets at fair value through profit or loss				
Financial assets (fair value through the profit or loss)	133	-	176	309
	133	-	176	309

There were no transfers between levels during the year (2018: None). There were no financial instruments held at fair value during the year ended 30 September 2018.

The financial assets held at fair value which fall under level 3 relate to the Company's investments in Kibo Nickel Ltd ("Kibo"), and Kalahari Key Exploration Pty Limited ("Kalahari"). These entities are unlisted, and therefore not do have quoted prices or other observable inputs.

The Company has valued the investment in Kibo based on the consideration in the purchase agreement; any premium paid for Katoro Gold plc was deemed consideration for the shareholding in Kibo, Kalahari's fair value is based on the consideration paid for the shareholding.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

24. Financial instruments (continued)

Group

	Carrying amount 2019 £'000	2018 £'000
Trade and other receivables	11	20
Cash and cash equivalents	171	147
	182	167

Company

	Carrying amount 2019 £'000	2018 £'000
Trade and other receivables	506	534
Cash and cash equivalents	171	96
	677	630

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Group

30 September 2019

	Carrying amount £'000	2 months or less £'000	2-12 months £'000	More than 1 year £'000
Non-derivative financial liabilities				
Trade and other payables	66	66	-	-
	66	66	-	-

24. Financial instruments (continued)

Liquidity risk (continued)

30 September 2018

	Carrying amount £'000	2 months or less £'000	2-12 months £'000	More than 1 year £'000
Non-derivative financial liabilities				
Trade and other payables	279	279	-	-
Deferred consideration	15	-	15	-
	294	279	15	-

Company

30 September 2019

	Carrying amount £'000	2 months or less £'000	2-12 months £'000	More than 1 year £'000
Non-derivative financial liabilities				
Trade and other payables	66	66	-	-
	66	66	-	-

30 September 2018

	Carrying amount £'000	2 months or less £'000	2-12 months £'000	More than 1 year £'000
Non-derivative financial liabilities				
Trade and other payables	279	279	-	-
Derivative financial liabilities				
Deferred consideration	15	-	15	-
	294	279	15	-

The Group reviews its facilities regularly to ensure that it has adequate funds for operations and expansion plans.

24. Financial instruments (continued)

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Due to the nature of the Group's operations, it will be mainly exposed to fluctuations in the price of iron and gold. The Group, where able, will look to hedge its foreign currency exposure.

Currency risk
The Group operates internationally and is exposed to foreign currency risk arising on cash and cash equivalents and receivables denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are USD. The Group and Company had £nil cash balance denominated in USD at the reporting date, and there were no payables denominated in USD, therefore net exposure to foreign currency risk at the reporting date is as follows;

	Group		Company	
Net foreign currency financial (liabilities)/assets	**2019**	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
USD	-	(32)	-	(32)
Total net exposure	-	(32)	-	(32)

Sensitivity analysis
A 10 per cent strengthening of sterling against the US Dollar at 30 September 2019 would have increased/(decreased) equity and profit or loss by the amounts shown below;

Group	**Profit and loss**		**Equity**	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
USD	-	3	-	3
Total net exposure	-	3	-	3

Company	**Profit and loss**		**Equity**	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
USD	-	3	-	3
Total net exposure	-	3	-	3

A 10 per cent weakening of the sterling against the US Dollar would have an equal but opposite effect.

Capital management
The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of equity which at 30 September 2019 for the Group totalled £1,572,000 (2018: £1,974,000) and for the Company totalled £2,046,000 (2018: £2,468,000).

24. Financial instruments (continued)

Accounting classifications and fair values

Fair values and carrying amounts
The carrying values of financial assets and liabilities are all approximate to their fair values per the statement of financial position.

25. Related parties

In addition to matters reported in note 10, the following related party transactions took place during the year ended 30 September 2019:

Roger Murphy and Iain Macpherson, both Directors who served during the year, are also Directors of Ongeza Mining, which provided consultancy services to the Company during the year. The total fees invoiced to the Company for the year ended 30 September 2019 were £20,323 (2018: £99,403), of which £1,500 was outstanding at the year end.

Matt Wood, a Director who served during the year is also director of ONE Advisory Limited, which provided accounting, audit assistance, company secretarial, registered office and administration services to the Company during the year. The total fees invoiced to the Company for the year ended 30 September 2019 were £69,685 (2018: £105,347) of which £4,803 was outstanding at the year end.

Andrew Bell, a Director who served during the year is also director of Red Rock Resources plc, providing consultancy services to the Company. The total fees invoiced to the Company for the year ended 30 September 2019 was £30,000 (2018: nil), of which nil was outstanding at the year end.

Paul Johnson, a Director who served during the year is also director of Value Generation Limited, a management consultancy business. The total fees invoiced to the Company for the year ended 30 September 2019 were £30,780 (2018: nil) which was settled in full prior to the year end. Additionally, in May 2019 the Company acquired 385 shares in Kalahari Key Exploration Pty Limited from Value Generation Limited for US$21,175, which is included in the total interest of 18.26% held by the Company.

During the year, the Company advanced funds to Power Metal Resources SA, totalling £92,133 (2018: £486,355). The loan is repayable on demand and on 30 September 2019, £578,488.46 was outstanding. An expected credit loss of £86,773 was recognised at the year end in respect of the intercompany receivable (2018: £72,953).

The Company advanced £25,333 to its subsidiary, Cobalt Blue Holdings during the year, (2018: nil). The loan is repayable on demand, the £25,333 remains outstanding at the year end. An expected credit loss of £8,107 was recognised at the year end in relation to the intercompany receivable (2018: nil).

The Company received £44,994.00 from Regent Resources Interests Corp. during the year (2018: advanced £10,691.50), £32,068.06 was repayable to the subsidiary at the 30 September 2019.

See note 26 for further detail on the Company's expected credit losses in relation to the intercompany receivables.

26. Effects of changes in accounting policy - Company

The Parent Company adopted IFRS 9 with a transition date of 1 October 2018. The Parent Company has chosen not to restate comparatives on adoption of IFRS 9 and, therefore, are not reflected in the restated prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 October 2018) and recognised in the opening equity balances. The increase in loss allowance resulted in a reduction to opening reserves, at 1 October 2018, as follows:

As at 1 October 2018	**£'000**
Receivables due from group undertakings (opening balances as presented under IAS 39)	497
Total current assets	497
Cumulative transition adjustment	(81)
Retained earnings	(81)
At as 1 October 2018	
Restated total current assets balance (in accordance with IFRS 9)	416

The increase in the loss allowance is only as a result of the application of the ECL model. This is a result of the existing incurred loss approach under IAS 39 being replaced by the forward-looking ECL model approach of IFRS 9. No loss allowance had previously been recognised, as no loss event had previously occurred.

The impairment assessment of the receivables has been performed using a lifetime ECL model.

The receivables due to group undertakings are classified as repayable on demand. IFRS 9 requires consideration of the expected credit risk associated with the receivables. As the subsidiary companies do not have any liquid assets to sell to repay the amount, should it be recalled, the conclusion reached was that the receivables should be categorised as stage 3.

The Directors have also assessed the cash flow scenarios of the above considerations in relation to each intercompany loan balance individually. Estimations were made regarding the credit risk of the counterparty and the underlying probability of default in each of the credit loss scenarios. The scenarios identified by management included Production, Divestment, Fire-sale and Failure. These scenarios considered technical data, necessary licences to be awarded, the Company's ability to raise finance, and ability to sell the project.

The credit risk of the intercompany loan was assessed at the date of initial application of IFRS 9, being 1 October 2018, and again at the current year-end. There had been no change in the significant credit risk at year-end.

There were no other changes to the financial statements on adoption of IFRS 9.

27. Subsequent events

On 3 December 2019, the Company entered into an agreement in respect of the Alamo project in Arizona, USA. The Alamo project is a package of mining claims covering an area of approximately 340 acres in west-central Arizona. The project is prospective for gold, and precious and base metals, with regional mines that have produced silver, lead, gold, zinc and copper. The Company has signed an agreement providing an opportunity to acquire a right to earn in to a 60% interest over a four-year period in the Alamo project, subject to a 45-day due diligence period.

27. Subsequent events (continued)

On 10 December the Company announced it had raised £700,000 (before costs) through a placing and subscription at a price of 0.40 pence per share through the issue of 175,000,000 new ordinary shares of 0.1 pence each. Each placing and subscription share had an attaching warrant which was issued on the same day. The warrants are exercisable at 0.70 pence per new ordinary share, which are subject to an acceleration clause whereby should the volume weighted average share price exceed 2.25 pence for 10 consecutive working days, the Company may write to warrant holders providing 10 working days' notice of accelerated exercise. Paul Johnson and Andrew Bell subscribed for £25,000 each on the same terms as the other investors.

Additionally, the Company announced First Equity Limited are to be appointed as joint brokers to the Company with effect from admission of the Placing and Subscription shares to trading on the AIM market of the London Stock Exchange.

On the 31 December 2019, the Company confirmed written confirmation had been made to Kalahari Key Mineral Exploration Pty Limited to elect to earn in to a 40% interest in the Molopo Farms Complex. To earn in to the 40%, the Company must expend $500,000 on project related expenditure to support drilling of key nickel-copper-PGM targets in 2020. The spend requirement is fully covered by the Company's existing cash resources following the fundraising in December 2019, £400,000 of which was allocated to enable the Company to exercise the option to earn-in to this project. The Company holds 18.26% of Kalahari Key Exploration Pty Limited, therefore upon completion, the Company will hold 50.96% of the project. The change in control is a non-adjusting event as at the end of the financial year, the exploration work had not been conducted and the Company did not have a practical ability to exercise substantive rights. As the exploration work carried out post-year end was favourable, and the Company have elected to earn in to the 40% additional interest in the project, this has resulted in the Company gaining significant influence and control over Kalahari Key.

In January 2020, an outbreak of a corona virus, now classified as COVID-19, was detected in China's Hubei province. During the following months, COVID-19 has spread steadily throughout the World and on 11 March 2020, The World Health Organisation ("WHO") declared the outbreak a global pandemic. In order to stem the spread of the virus, Governments around the World are taking drastic steps which include compulsory closure of various businesses, shops and schools and are also heavily restricting of movement of people with lock down. Due to the rapid development of COVID-19, the degree of uncertainty involved and the unprecedented nature of the challenges posed by the coronavirus situation, the Directors' are of the opinion that it is too soon to quantify what financial impact that the COVID-19 pandemic will be, but are monitoring the situation closely

In February 2020, the Company announced the appointment of Ed Shaw as a non-executive director, and was granted options over 5 million ordinary shares of 0.1 pence each at an exercise price of 1.0 pence per ordinary share, vesting immediately, in line with the previous grant of share options to directors.

On 15 April 2020, the Company entered into an agreement providing an opportunity to acquire a 51% interest in the Ditau project, currently held 100% by Kavango Resources plc. The project is prospective for rare earth metals. The acquisition is subject to a due diligence period ending 1 September 2020 at the latest.

In April 2020, POW announced the commencement of a new joint venture with Red Rock Resources Plc to build a strategic gold exploration portfolio in Australia.