# Armadale Capital Plc

## Annual Report and Accounts

## 31 December 2015

**Contents**

## Officers and Professional Advisers

**Directors**

Peter A Marks – *Chairman*
Justin LG Lewis
Dr Andrew J Tunks

**Secretary**

Charles Zorab

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WC1E 6HQ

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## Chairman's statement

### Mining Development

Significant progress, albeit at a slower pace than we initially anticipated, continues to be made in advancing the Mpokoto Gold Project ('Mpokoto' or the 'Project') located in the South West of the Democratic Republic of the Congo. We now have completed all the key elements of the Definitive Feasibility Study ('DFS'), which forms the basis of our mining plan and is an essential step in obtaining finance to fund the construction of the Project. As shareholders are aware we have been in a long term dialogue with our potential partners African Mining Contracting Services Group ('A-MCS') to finalise project finance and I am pleased to report that A-MCS continue to show keen interest in the Project.

### Mpokoto

During the year much work has been done. We have selected the final processing route for both Phase One – the shallower, weathered oxide portion of the deposit, and Phase Two – the deeper, unweathered sulphide portion. The former will entail scrubbing, milling and concentrating the ore, with cyanidation of the resulting flotation concentrates. The DFS, the results of which were announced in February 2016 this year, set out various parameters for the Project. Phase One concentrates on the shallower oxide portion of the resource which will be prioritised for exploitation in advance of the deeper unweathered sulphide ore designated for Phase Two. The technical financial model shows solid economic fundamentals coming from annual mine throughput of 720,000 tonnes of ore over a four and half year mine life from which an average 24,900 oz gold per annum could be produced. At a gold price of US$1,250 per oz, the revenue is US$138.6 million from Phase One alone. Capital costs are estimated to be of the order of US$25 million, with cash operating costs of US$792 per oz. We feel this is a strong result for the Project. It is also worth pointing out that we acquired Mpokoto relatively recently at the end of 2013 so much has been achieved over the last two years in a difficult operating environment.

Discussions with our potential financing, construction and operating partner, A-MCS are ongoing. They are continuing with their review of the DFS and our short term aim remains to finalise project finance for at least US$20 million. Initial production is dependent on the receipt of this financing and accordingly this is no longer expected in H1 2016. We will provide further updates when appropriate. Meanwhile, the exploration programme at Mpokoto will continue over the course of the year. This next stage consists of 2,000 metres of auger drilling and then 2,500 metres of diamond drilling in approximately 150 holes. The purpose of this programme is to delineate further mineral resources and increase the overall mine life.

### Other quoted investments

The Company owns a small portfolio of quoted investments in line with its investing policy. The largest is JSE listed Mine Restoration Investments Limited (MRI), which in June 2015 announced that it had entered into an agreement to acquire a significant interest in Iron Mineral Beneficiation Services Pty Limited ('IMBS') along with a fundraising of up to R200 million at R0.07 per share. In April 2016 the Board of MRI concluded that this acquisition was unlikely to proceed. This was a very unfortunate outcome as we were optimistic that the restructuring would provide a good opportunity for Armadale to dispose of its stake.

Your Board is now continuing with their efforts to sell the stake and since the year end has disposed of some of its interest on the market. In line with our accounting polices the stake in MRI has been revalued at is market price, which at the year end was approximately £320,000.

The Company continues to hold interests in other quoted investments which it keeps under active review.

**Chairman's statement (continued)**

**Results**

The Group does not have any revenue and has reported a loss, of which a significant proportion relates to the impairment of the value of our investment in to MRI, which accounting policies require us to value at its market value at the end of the financial year. We continue to pay particular attention to our own overhead costs to ensure our cash resources are used primarily in the development of Mpokoto and limit all costs associated with being a listed company. During the year under review our principal focus has been the development of Mpokoto and a substantial proportion of our costs relate to expenses incurred developing the Project. We see this as continuing for the foreseeable future.

In addition, as an Investing Company with a charter of investing in African-based mining projects, we continue to be in receipt of other opportunities and remain interested in looking to diversify the portfolio, where this makes sense and has the potential to deliver increased value for all shareholders. Where any projects progress we will advise the market and shareholders accordingly.

We look forward to reporting to shareholders on the continuing progress of Mpokoto as we seek to unlock its inherent value potential and, in the meantime, thank all shareholders for their on-going support and interest in the Company. Your board will continue to work tirelessly in our efforts to build shareholder value.

**Peter Marks**
**Chairman**
19 May 2016

**Strategic Report**
**For the year ended 31 December 2015**

During the year under review Armadale has continued to operate as a diversified investing company focused on natural resource projects in Africa.

The Company's investment portfolio is divided into actively managed investment, where the Company has majority ownership and management control of the investment, and passively managed projects, where the Company has a minority investment, typically in a quoted company, and does not have management control.

**Actively Managed Investment:**

**Mpokoto Gold Project, DRC**

The Company acquired its initial interest in Mpokoto through the acquisition of Netcom Global Inc in November 2013.

In September 2014, the Company completed the acquisition of Kisenge Limited which gave the Company direct ownership over 80% of the Mpokoto Project as well as a further 32 additional mineral exploration licences, covering in excess of 800,000 hectares, which are prospective for a number of minerals, including gold, manganese and diamonds.

The aggregate consideration, paid in cash and shares of approximately £2.8 million, is reflected in the carrying value of the Group's exploration and evaluation assets.

**Resources and reserves – JORC resource statement**

An updated Joint Ore Reserves Committee 2012 (JORC) resource statement for Mpokoto was published during the year in October 2014. The key features of the update were:

- Overall Mineral Resources increased by 34% to 678,100 oz gold ('Au') from 506,700 oz Au in total, with 75% of the overall Mineral Resource Estimate (MRE) now in Indicated category (up from 65%)
    - An overall increase of 25% in oxide portion of the Mineral Resource to 159,000 oz Au from 119,000 oz Au, and the recognition of higher grade zones in excess of 2g/tonne lying just below (<20m) the base of the already designed oxide pits
    - 30% overall increase in transition portion of the resource to 125,000 oz Au from 96,200 oz Au
    - 32% overall increase in the fresh, unweathered portion of the resource to 394,000 oz Au from 299,000 oz Au
- Indicated Mineral Resources within the oxide zone increased by 138% to 3,600,000 tonnes containing 144,400 oz Au from 1,270,000 tonnes (60,600 oz Au).
- Improvement in overall grade to 1.45g/t Au from 1.42g/t Au
- Significant further upside potential:
    - The deposit remains open along strike and at depth with further room to define resources between the proposed pits
    - CSA Global Pty Ltd ('CSA') have defined a further exploration target of 1.4Mt to 2.0Mt at 1.2g/t to 1.5g/t Au, for the top 60m below surface in the immediate surrounding location of the current resource areas, which will be subject to the second stage of the infill drilling programme

**Strategic Report (continued)**
**For the year ended 31 December 2015**

### Mining Licence

A specific Mining Licence was applied for, over the Mpokoto Project at the end of March 2014, which carves the Mpokoto Project out of the existing larger exploration licences. As announced in November 2014 four new mining licences covering the Mpokoto Project were issued for an initial period of 30 years and may be renewed for further terms of 15 years each.

### Definitive Feasibility Study

During the year under review, Armadale commissioned Bara Consulting (Pty) Ltd to complete a definitive feasibility study of the Project ('DFS'). The initial results from the DFS were published after the year end, in February 2016. The following are the headline results:

- Mpokoto has continued to demonstrate it is a robust low cost gold development project with attractive fundamentals. Study focused on initial phase of mining – Phase 1 – based only on the shallow oxide Orebody (30-40m)
- Mpokoto has a current Total Mineral Resource of 678,000oz gold ('Au') from 14.58 million tonnes ('Mt') @ 1.45g/t Au at a cut-off grade of 0.5g/t
- Open pit mining for Phase 1 presently scheduled over four years (annual mine production of 720,000 tonnes per annum) to produce an average 24,900 oz of gold per annum
- Total revenues from Phase 1 of US$138.6 million, with average annual revenues of US$30.80 million at a gold price of US$1,250/oz and average annual pre-tax net operating profit of US$11.14 million
- Capital cost of US$25.15 million, with operating costs of US$792/oz
- Pre-tax net present value ("NPV") for Phase 1 of US$19.05 million based on a discount rate of 5% and a gold price of US$1,250/oz and internal face of return ("IRR") of 44%
- Expanded Scoping Study demonstrated Phase 2 had an additional NPV of approximately US$20 million

**Key Initial Findings of Definitive Feasibility Study of Phase 1 of the Project:**

| | Expanded Study |
|---|---|
| Net Present Value ('NPV') – post-tax and royalty | $19.05 million[1] |
| Average annual production | 24,900oz |
| Open Pit Life of Mine ('LOM') | 4.4 years |
| LOM average operating cash cost | US$792/oz[2] |
| Total Start-up Capital Cost | US$25.15 million |
| Start-up capital payback period | 41 months |

1 based on a discount rate of 5% and a gold price of US$1,250 per ounce from commencement of construction

2 excluding royalties

Armadale have previously undertaken a two level scoping assessment for the Project. The results of this work were reported during October 2014. Subsequent to the completion of this Study further work has been undertaken on the Project with the aim of progressing the Project to feasibility study:

- Additional geotechnical evaluation of the fresh un-weathered rock
- A pit optimisation study using suitable mining software

- Design of open pits based on pit optimisation
- Consultations with mining contractors on the mining costs
- A significant metallurgical test work programme
- Design of the mine surface and infrastructure layout

The feasibility study work undertaken to date principally covers only Phase 1 of the Project, which targets oxide ore. Some transition ore is processed later in the life of the mine. Work on Phase 2, the mining and processing of sulphide material, remains at concept level, having been covered in the Expanded Scoping Study.

The following are the headline results of the work completed to date on Phase 1:

- Phase 1 of the Project examines the mining and processing of the near surface ores:
  - o Oxide ore
  - o Transition ore
- Indicated and inferred categories of mineral resources are considered in the evaluation
- The Study supports a 60ktpm scenario to produce 111 koz (recovered) over 4.4 years
- The metallurgical process flow sheet for treating oxide material has been determined:
- The initial process plant for oxides is scrubbing, crushing, milling, gravity concentration, cyanide leaching, elution, electro winning and finally smelting
- The plant is costed on a low Capital modular approach

The key technical, operational and financial parameters for the Mpokoto Phase 1 Project are summarised in the following table.

| **Parameter** | **Unit** | **Value** |
|---|---|---|
| Ore Mined | Mt | 3.02 |
| Average head grade mined | g/t | 1.40 |
| Waste mined | Mt | 7.4 |
| Strip ratio | Waste:ore | 2.4 |
| Contained gold (RoM) | Koz | 136 |
| Average gold recovery rate (Oxides) | % | 84 |
| Average gold recovery rate (Transition) | % | 73 |
| Average annual production over LOM | Oz | 24,900 |
| Open pit mine life | Years | 4.4 |
| Processing plant capacity | Mtpa | 0.72 |
| Total LoM Capital Cost | US$m | 25.1 |
| Start-up capital payback period | Months | 41 |
| Total cash costs (excluding taxes and royalties) | US$/oz | 792 |
| Total cash costs (including taxes and royalties) | US$/oz | 866 |

**Strategic Report (continued)**
**For the year ended 31 December 2015**

**Exploration and Development Programme**

The Company announced in March 2016 the next stage of its exploration programme that it is undertaking at Mpokoto with an initial 2,000m auger drilling programme followed by a 2,500m diamond drill programme to test prospective targets identified in late 2015, which indicate possible strike extensions of the known high grade gold mineralisation.

The Company has prioritised targets identified following soil sampling to the south-east and north-west of the Mpokoto mine area. The results of this soil sampling exercise demonstrated 750m of continuous anomaly extending to the north-west from pit 1 and 3,200m extending to the south-east of pit 3, significantly enlarging the known anomalous gold zone.

The proposed drilling programme, will initially target, with auger drilling, oxide mineralisation to the north and south of the main orebodies, where mineralisation remains open along strike. Following this the Company will look to target, with a diamond drilling programme, the high-grade mineralisation adjacent to the previous hole MPD064, which intercepted 55m @ 3.8 g/t Au including 15.4 @ 10.5 g/t Au.

As previously announced, to support this programme, the Company has formed an alliance with Alpha Drilling ('Alpha'), a Botswana based drilling organisation with operations in the DRC and extensive experience in sub-Saharan Africa, to provide in-house drilling capacity. It is proposed Alpha will supply and operate a diamond drilling rig with the alliance benefitting the Company through a lowering of the overall cost of drilling.

The Company has proven the success of its planned exploration approach; soil and termite mound sampling followed by auger, Reverse Circulation and core drilling were successfully used to identify the current gold resource at Mpokoto, which presently stands at 678,000oz of which 520,000oz is in the indicated category.

Additionally, the Company is undertaking an ongoing review of the extensive database generated by previous owners of the larger Kisenge exploration licence. This has generated an initial exploration target at Katombe, which shows an anomaly of gold, tungsten and arsenic over a 12km length in an east west direction. Historical drilling returned three gold intersections. The Company will look at conducting a further programme of geophysical and geochemical work at this prospect.

The Company continues to target low-cost commercial production. Phase 1 operations will focus on open pit mining presently scheduled over four years (annual mine production of 720,000 tonnes per annum) to produce an average 24,900 oz of gold per annum, which is expected to generate average annual revenues of US$30.80 million at a gold price of US$1,250/oz.

**Funding Plan**

Discussions with our potential financing, construction and operating partner, Africa Mining Contracting Services ('A-MCS') are ongoing. A-MCS are continuing with their review of the DFS and the short term aim remains to finalise project finance for at least US$20 million. Meanwhile, the exploration programme at Mpokoto will continue over the course of the year. This next stage consists of 2,000 metres of auger drilling and then 2,500 metres of diamond drilling in approximately 150 holes. The purpose of this programme is to delineate further mineral resources and increase the overall mine life.

**Sustainable development**

Armadale is committed to sustainable development and conducting its business ethically. Given that the Company invests in the mining industry, Armadale focuses on health and safety, being environmentally responsible, and supporting the communities close to its investments.

**Passively Managed Investments:**

**Mine Restoration Investments Limited, South Africa**

The Company owns a small portfolio of quoted investments in line with its investment strategy. The largest is JSE listed Mine Restoration Investments Limited ('MRI') which in June 2015 announced that it had entered into an agreement to acquire a significant interest in Iron Mineral Beneficiation Services Pty Limited (IMBS) along with a fundraising of up to ZAR200 million at ZAR0.07 per share. In April 2016 the Board of MRI concluded that this acquisition was unlikely to proceed.

The Board is continuing with their efforts to sell the stake and since the year end has disposed of some of its interest on the market. In line with our accounting polices the stake in MRI has been revalued at it's market price as at 31 December 2015, which was ZAR0.03. As at 31 December 2015, the Company valued its holding in MRI at approximately £320,000, which resulted in an impairment of the previous carrying value of £316,000.

**Quoted portfolio**

The Company has a small portfolio of quoted investments, principally in gold production companies where the directors believe there are opportunities for capital gain. During the year the Company has bought and sold investments and continues to keep its portfolio under active review.

**Corporate Information**

**Principal risks and uncertainties**

There are numerous risks associated with the mineral industry, especially in Africa. The Board regularly reviews the risks to which the Group is exposed and endeavours to minimise them as far as possible. The following summary, which is not exhaustive, outlines some of the risks and uncertainties currently facing the Group:

- The Group is principally exposed to one commodity, Gold. The Group is thus vulnerable to fluctuations in the prevailing market price of gold and to variations of the US dollar, in which sales are denominated.
- The exploration for and development of mineral resources involves technical risks, infrastructure risks and logistical challenges, which even a combination of careful evaluation and knowledge may not eliminate.
- There can be no assurance that the Group's projects will be fully developed in accordance with current plans. Future development work and subsequent financial returns arising may be adversely affected by factors outside the control of the Group.
- The availability and access to future funding within the global economic environment.
- The Group operates in multiple national jurisdictions and is therefore vulnerable to changes in government policies which are outside its control.
- The global economic environment may lead to further decreases in commodity demand and prolonged downward pressure on pricing.

Some of the mitigation strategies the Group applies in its present stage of development include, among others:

- Reducing fixed costs and rationalising capital expenditure.
- Maintaining strong relationships with government (employing local staff and partial government ownership), which improves the Group's position as a preferred small miner.
- Alternative and continued funding activities with a number of options to secure future funding to continue as a going concern.

**Strategic Report (continued)**
**For the year ended 31 December 2015**

The Directors regularly monitor such risks and will take actions as appropriate to mitigate them. The Group manages its risks by seeking to ensure that it complies with the terms of its agreements, and through the application of appropriate policies and procedures, and via the recruitment and retention of a team of skilled and experienced professionals.

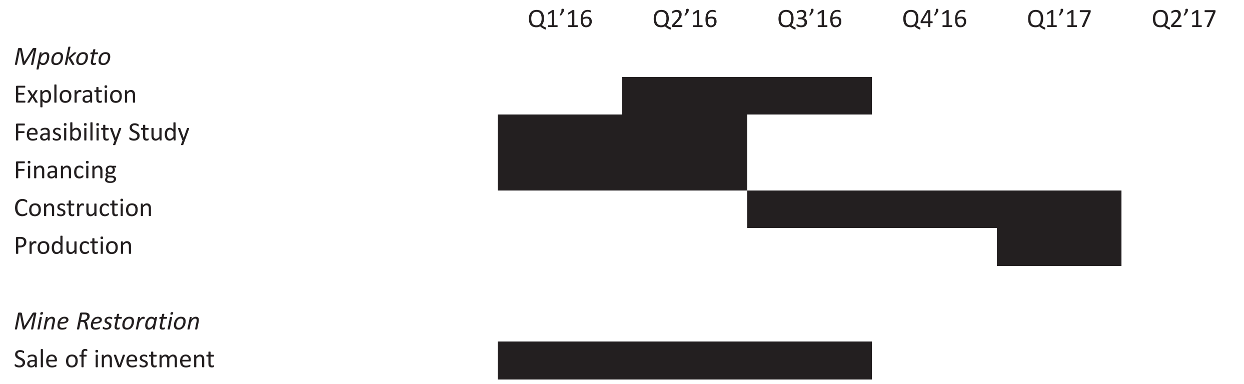
### Key performance indicators

The Group's current key performance indicators (KPIs) are the performance of its underlying investments, measured in terms of the development of the specific projects they relate to, the increase in capital value since investment and the earnings generated for the Group from the investment. The Directors consider that it is too early in the investment cycle of any of the investments held, for meaningful KPIs to be given.

Success is also measured through the identification and investment in suitable additional opportunities that fit the Group's investment objectives.

The key milestones for the achievement of some of the KPIs of underlying investments, which should result in the achievement of the Groups KPIs are:

Timeline by activity




### Financial results

For the year ended 31 December 2015 the Group did not earn any revenues as its business related solely to the making of investments into non revenue producing resources projects and companies.

The Group made a loss after tax of £0.992 million for the year ended 31 December 2015. The administrative expenses relate principally to fundraising and other corporate actions, and the board continues to work hard to minimise all other expenditure associated with being a public company.

The loss includes an impairment of the Groups investment in MRI for 2015 of £316,000. The Board is obliged to periodically review the carrying value of the Groups investments to determine if there have been any indicators of impairment in their values. Following such a review, and in respect of the Groups investment in MRI, it is the Board's opinion that the prevailing value in the MRI investment should reflect the current underlying value of the MRI shares. The Board has used the market price as at 31 December 2015, being ZAR0.03 per MRI share. The impairment described above therefore reflects appropriate provisions in the financial statements that have been made to reflect this valuation.

**Strategic Report (continued)**
**For the year ended 31 December 2015**

As at 31 December 2015 the Group had total assets of £5.804 million (2014: £4.690 million) and cash of £160,938 (2014: £237,849). Since the year end the Company has raised a further £210,000 by a placement of new shares.

**Justin Lewis**
**Director**
19 May 2016

**Directors' Report**
**For the year ended 31 December 2015**

The Directors submit their report and the financial statements of Armadale Capital Plc ('Armadale' or the 'Company') for the year ended 31 December 2015.

**Results and dividends**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The loss of the Group for the year ended 31 December 2015 was £991,512 (2014, £1,077,697). As part of the process of preparing these accounts, the Directors are required to review the carrying value of all its assets. As a result of this review the Directors have reduced the carrying value of the Company's shareholding in MRI to £322,708 using the quoted price of the shares at 31 December 2015.

The Directors do not recommend the payment of a dividend (2014: £nil).

**Business review**

A review of the Group's operations and management plans for the future of the business is included in the Chairman's Statement and the Strategic Report.

**Directors**

The following Directors have held office during the year:

Peter A Marks
Justin LG Lewis
Dr Andrew J Tunks *(appointed 19 May 2015)*

**Directors' interests**

Directors' interests, including family interests, in the Ordinary Share capital, were as follows:

| | **31 December 2015** | **31 December 2014*** |
|---|---|---|
| P A Marks | 277,969 | 277,969 |
| JLG Lewis | 1,064,444 | 1,064,444 |
| AJ Tunks | 333,335 | – |

In addition to the above holdings, Halcyon Corporate Pty Limited, a company of which Justin Lewis is a director and shareholder holds 1,000,000 Ordinary Shares.

Directors also hold options over Ordinary Shares as follows:

| | **31 December 2015 No:** | **31 December 2014* No:** |
|---|---|---|
| P A Marks | 666,666 | 666,666 |
| JLG Lewis | 1,000,000 | 1,000,000 |

*Restated to reflect the consolidation of the share capital on 22 June 2015, described below.

**Company Secretary**

Mr Charles Zorab held the position of Company Secretary for the Company at the end of the financial year. The registered office is 55 Gower Street, London WC1E 6HQ.

**Directors' Report (continued)**
**For the year ended 31 December 2015**

**Substantial shareholdings**

At 9 May 2016 the Company was aware of the following interests in 3% or more of the issued share capital of the Company:

| Name | % |
|---|---|
| HSDL Nominees | 11.8% |
| TD Direct Investing Nominees | 9.9% |
| Pelamis | 9.5% |
| Hargreaves Lansdowne Nominees | 8.7% |
| Barclayshare Nominees | 7.9% |
| Interactive Investor Nominees | 4.2% |
| Nuri Kaya | 3.5% |
| Caledonia Investments | 3.3% |
| Adrian Woodbine | 3.1% |

**Consolidation and subdivision of Share Capital**

On 22 June 2015, every 150 then existing Ordinary Share of 0.01 pence were consolidated into one new Ordinary Share of 1.5 pence ("the Consolidated Shares") and then each Consolidated Share was subdivided into one new Ordinary Share of 0.1 pence and one Deferred Share of 1.4p, the rights attaching to the new Ordinary Shares are identical in all respects to those of the old Ordinary Shares. Entitlements under outstanding options granted to certain officers and executives were recalculated accordingly.

**Issue of Shares**

Details of Ordinary Shares issued during the year are set out in note 18 to the financial statements.

**Shares under option or issued on exercise of options**

Shares held under option are detailed in note 20 to the financial statements.

**Indemnification of officers of the Company**

During the financial year, the Company paid a premium in respect of a contract insuring the Directors against liability when acting for the Company.

**Remuneration of Directors**

The directors received the following fees by way of remuneration

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Peter Marks | 50 | 60 |
| Justin Lewis | 37 | 42 |
| Andrew Tunks | 12 | – |

The directors currently have employment contracts which may be terminated by the Company with up to six months' notice. No other payments are made in compensation for loss of office. The Remuneration of directors is determined by the Board within the limits set out in the Articles of Association of the Company.

**Directors' Report (continued)**
**For the year ended 31 December 2015**

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the strategic report, the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. . Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance 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 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 and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Website publication**

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

**Going Concern**

The financial statements have been prepared on the going concern basis as, in the opinion of the directors, there is a reasonable expectation that the Group will continue in operational existence for the foreseeable future.

At 13 May 2016, the Group had cash of £128,000 and held listed shares with a balance sheet value of £379,313. The cash in hand is sufficient to meet committed expenditure, including overheads, for approximately three months. In order to continue its operations and to develop further its exploration project, the Group will need to raise further funds. Discussions aimed at procuring the development finance needed to develop the project are at an advanced stage.

The directors believe that the project finance negotiations will be successfully concluded. Furthermore, they consider that it will be possible to raise further short-term working capital if required. However, there are currently no binding agreements in place and there can be no certainty that either of these initiatives will succeed. Should this

**Directors' Report (continued)**
**For the year ended 31 December 2015**

be the case the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Events after the reporting date are disclosed in note 23.

**Principal risks and uncertainties**

The Group's risks and use of financial instruments are described in Note 4 to the financial statements. Other risks are described in the Chairman's Statement and the Strategic Report.

**Directors' Confirmation**

The Directors who held office at the date of approval of this Directors' Report confirm that so far as each Director is aware:

(a) there is no relevant audit information of which the Company's auditors are unaware; and

(b) each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and of the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

On behalf of the Board

**Peter Marks**
**Director**
19 May 2016

**Independent Auditor's Report to the Shareholders of Armadale Capital Plc**

We have audited the financial statements of Armadale Capital Plc for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

**Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 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.

**Emphasis of matter – going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2.2 to the financial statements concerning the Group's ability to continue as a going concern which is dependent on the Group's ability to raise further funds. The Directors believe that the Group will be able to secure the necessary funds. While the Directors are continuing funding negotiations with certain third parties there are currently no binding agreements in place. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The financial

**Independent Auditor's Report to the Shareholders of Armadale Capital Plc (continued)**

statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

**Opinion on other matters prescribed by the Companies Act 2006**

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

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

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

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

Scott Knight (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor

London
W1U 7EU

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 31 December 2015**

| | Note | 2015<br>£ | 2014<br>£ |
|---|---|---|---|
| Other administrative expenses | | (616,062) | (693,664) |
| Share based payment charge | 19 | – | (84,000) |
| Impairment of investments | 13 | (316,213) | (67,500) |
| Provision against loan | | – | (225,326) |
| **Operating loss** | | (932,275) | (1,070,490) |
| Finance income | 6 | 49 | 7,455 |
| Finance costs | | (59,286) | (14,662) |
| **Loss before taxation** | 7 | (991,512) | (1,077,697) |
| Taxation | 9 | – | – |
| **Loss for the year from continuing operations attributable to the equity holders of the parent company** | | (991,512) | (1,077,697) |
| **Loss per share attributable to the equity holders of the parent company** | | **Pence** | **Pence** |
| Basic and fully diluted | 10 | (1.91) | (4.43) |
| **Loss after taxation** | | (991,512) | (1,077,697) |
| **Other comprehensive income** | | | |
| Items that may be reclassified to profit or loss: | | | |
| Exchange differences on translating foreign entities | | 93,278 | – |
| **Total comprehensive loss attributable to the equity holders of the parent company** | | (898,234) | (1,077,697) |

**Consolidated Statement of Financial Position**
**At 31 December 2015**

| | Note | 2015 £ | 2014 £ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 11 | 4,923,190 | 3,515,769 |
| Property, plant and equipment | 12 | 23,694 | 34,327 |
| Investments | 13 | 56,605 | 30,119 |
| | | 5,003,489 | 3,580,215 |
| **Current assets** | | | |
| Investment | 13 | 322,708 | 689,616 |
| Trade and other receivables | 14 | 317,230 | 182,645 |
| Cash and cash equivalents | | 160,938 | 237,849 |
| | | 800,876 | 1,110,110 |
| **Total assets** | | 5,804,365 | 4,690,325 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 18 | 2,823,582 | 2,562,914 |
| Share premium | 20 | 16,585,413 | 14,807,570 |
| Shares to be issued | 20 | 286,000 | 286,0000 |
| Share option reserve | 20 | 182,000 | 1,610,361 |
| Foreign exchange reserve | | 93,278 | – |
| Retained earnings | 20 | (14,550,731) | (14,987,580) |
| **Total equity** | | 5,419,542 | 4,279,265 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 339,486 | 153,074 |
| Loan notes | 16 | 45,337 | – |
| | | 384,823 | 153,074 |
| **Non-current liabilities** | | | |
| Convertible loan notes | 17 | – | 216,570 |
| Derivative liability | 17 | – | 41,416 |
| Total non-current liabilities | | – | 257,986 |
| **Total equity and liabilities** | | 5,804,365 | 4,690,325 |

Approved by the Board and authorised for issue on 19 May 2016

Signed on behalf of the Board

**P A Marks** — *Director*

**JLG Lewis** — *Director*

**Company Registration No. 5541602**

**Company Statement of Financial Position**
**At 31 December 2015**

| | Note | 2015 £ | 2014 £ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments | 13 | 2,901,814 | 2,875,328 |
| Other receivables | 14 | 2,159,250 | 743,897 |
| | | 5,061,064 | 3,619,225 |
| **Current assets** | | | |
| Investment | 13 | 322,708 | 689,616 |
| Trade and other receivables | 14 | 153,495 | 58,027 |
| Cash and cash equivalents | | 125,811 | 233,741 |
| | | 602,014 | 981,384 |
| **Total assets** | | 5,663,078 | 4,600,609 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 18 | 2,823,582 | 2,562,914 |
| Share premium | 20 | 16,585,413 | 14,807,570 |
| Shares to be issued | 20 | 286,000 | 286,000 |
| Share option reserve | 20 | 182,000 | 1,610,361 |
| Retained earnings | 20 | (14,345,365) | (14,996,556) |
| **Total equity** | | 5,531,630 | 4,270,289 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 86,111 | 72,334 |
| Loan notes | 16 | 45,337 | – |
| | | 131,448 | 72,334 |
| **Non-current liabilities** | | | |
| Convertible loan notes | 17 | – | 216,570 |
| Derivative liability | 17 | – | 41,416 |
| Total non-current liabilities | | – | 257,986 |
| **Total equity and liabilities** | | 5,663,078 | 4,600,609 |

Approved by the Board and authorised for issue on 19 May 2016

Signed on behalf of the Board

**P A Marks** — *Director*

**JLG Lewis** — *Director*

**Company Registration No. 5541602**

**Consolidated Statement of Changes in Equity**
**For the year ended 31 December 2015**

| | Share capital £ | Share Premium £ | Shares to be issued £ | Share Option Reserve £ | Foreign Exchange Reserve £ | Retained Earnings £ | Total £ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | 2,472,076 | 13,240,323 | 1,352,000 | 1,526,361 | – | (13,909,883) | 4,680,879 |
| Loss for the year | – | – | – | – | – | (1,077,697) | (1,077,697) |
| Total comprehensive loss for the year | – | – | – | – | – | (1,077,697) | (1,077,697) |
| Share based payments | – | – | – | 84,000 | – | – | 84,000 |
| Issue of shares | 90,838 | 1,614,788 | (1,066,000) | – | – | – | 639,626 |
| Expenses of issue | – | (47,541) | – | – | – | – | (47,541) |
| Total other movements | 90,838 | 1,567,247 | (1,066,000) | 84,000 | – | – | 676,085 |
| **Balance at 31 December 2014** | 2,562,914 | 14,807,570 | 286,000 | 1,610,361 | – | (14,987,580) | 4,279,265 |
| Loss for the year | – | – | – | – | – | (991,512) | (991,512) |
| Other comprehensive income | | | | | 93,278 | | 93,278 |
| Total comprehensive loss for the year | – | – | – | – | 93,278 | (991,512) | (898,234) |
| Issue of shares | 260,668 | 1,911,395 | – | – | – | – | 2,172,063 |
| Expenses of issue | – | (133,552) | – | – | – | – | (133,552) |
| Release on expiry of options | – | – | – | (1,428,361) | – | 1,428,361 | – |
| Total other movements | 260,668 | 1,777,843 | – | (1,428,361) | 93,278 | 1,428,361 | 2,131,789 |
| **Balance at 31 December 2015** | 2,823,582 | 16,585,413 | 286,000 | 182,000 | 93,278 | (14,550,731) | 5,419,542 |

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

| **Reserve** | **Description and purpose** |
|---|---|
| Share capital | amount subscribed for share capital at nominal value |
| Share premium | amount subscribed for share capital in excess of nominal value, net of allowable expenses |
| Shares to be issued | value of share capital to be issued in connection with the acquisition of Netcom |
| Share option reserve | reserve for share options granted but not exercised |
| Foreign exchange reserve | gains/losses arising on re-translating the net assets of overseas operations into sterling |
| Retained Earnings | cumulative net gains and losses recognised in the statement of comprehensive income |

## Company Statement of Changes in Equity
## For the year ended 31 December 2015

| | Share Capital £ | Share Premium £ | Shares to be Issued £ | Share Option Reserve £ | Retained Earnings £ | Total £ |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | 2,472,076 | 13,240,323 | 1,352,000 | 1,526,361 | (13,910,920) | 4,479,840 |
| Loss for the year | – | – | – | – | (1,085,636) | (1,085,636) |
| Total comprehensive loss for the year | – | – | – | – | (1,085,636) | (1,085,636) |
| Shares based payments | – | – | – | 84,000 | – | 84,000 |
| Shares issued and to be issued | 90,838 | 1,614,788 | (1,066,000) | – | – | 639,626 |
| Expenses of issue | – | (47,541) | – | – | – | (47,541) |
| Total other movements | 90,838 | 1,567,247 | (1,066,000) | 84,000 | – | 676,088 |
| **Balance at 31 December 2014** | 2,562,914 | 4,807,570 | 286,000 | 1,610,361 | (14,996,556) | 4,270,289 |
| Loss for the year | | | | | (777,170) | (777,170) |
| Total comprehensive loss for the year | – | – | – | – | (777,170) | (777,170) |
| Share based payments | – | – | – | – | – | – |
| Issue of shares | 260,668 | 1,911,395 | – | – | – | 2,172,063 |
| Expenses of issue | – | (133,552) | – | – | – | (133,552) |
| Release on expiry of options | – | – | – | (1,428,361) | – | 1,428,361- |
| Total other movements | 260,668 | 1,777,843 | – | (1,428,361) | 1,428,361 | 2,038,511 |
| **Balance at 31 December 2015** | 2,823,582 | 16,585,413 | 286,000 | 182,000 | (14,345,365) | 5,531,630 |

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

| **Reserve** | **Description and purpose** |
|---|---|
| Share capital | amount subscribed for share capital at nominal value |
| Share premium | amount subscribed for share capital in excess of nominal value, net of allowable expenses |
| Shares to be issued | value of share capital to be issued in connection with the acquisition of Netcom |
| Share option reserve | reserve for share options granted but not exercised |
| Retained Earnings | cumulative net gains and losses recognised in the statement of comprehensive income |

**Consolidated Statement of Cash Flows**
**For the year ended 31 December 2015**

| | 2015<br>£ | 2014<br>£ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before taxation | (991,512) | (1,077,697) |
| Adjustment for: | | |
| Depreciation | 12,545 | 2,858 |
| Unrealised foreign exchange differences | 48,549 | (4,818) |
| Loan note accretion | 34,490 | 9,492 |
| Impairment of investment | 316,213 | 67,500 |
| Loss on sale of investment | 24,335 | – |
| Provision against loan | – | 225,326 |
| Interest income | (49) | (7,455) |
| Share based payments | – | 84,000 |
| Shares issued in settlement of liabilities | 165,250 | 114,626 |
| Shares received for services | – | (2,784) |
| Accrued interest payable | 1,714 | – |
| | (364,130) | (588,952) |
| **Changes in working capital** | | |
| Receivables | 415 | 103,137 |
| Payables | 60,412 | (99,573) |
| **Net cash used in operating activities** | (303,303) | (585,388) |
| **Cash flows from investing activities** | | |
| Expenditure on exploration and evaluation assets | (1,158,019) | (651,156) |
| Loan to associated company | – | (110,913) |
| Purchase of listed investments | (7,986) | (31,947) |
| Sale of listed investments | 7,860 | – |
| Interest received | 49 | 2,726 |
| **Net cash used in investing activities** | (1,158,096) | (791,290) |
| **Cash flows from financing activities** | | |
| Proceeds from share placement | 1,502,994 | 525,000 |
| Issue costs | (133,552) | (47,541) |
| Proceeds from issue of loan notes | 120,000 | 248,494 |
| Repayment of loan notes | (80,619) | – |
| **Net cash from financing activities** | 1,408,823 | 725,953 |
| **Net decrease in cash and cash equivalents** | (76,911) | (650,725) |
| **Cash and cash equivalents at 1 January 2015** | 237,849 | 888,574 |
| **Cash and cash equivalents at 31 December 2015** | 160,938 | 237,849 |

**Company Statement of Cash Flows**
**For the year ended 31 December 2015**

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| **Cash flows from operating activities** | | |
| Loss before taxation | (777,170) | (1,085,636) |
| Adjustment for: | | |
| Interest income | (49) | (7,455) |
| Share based payments | – | 84,000 |
| Loan note accretion | 34,490 | 9,492 |
| Impairment of investment | 316,213 | 67,500 |
| Loss on sale of investment | 24,335 | – |
| Provision against loan | – | 225,326 |
| Shares issued in settlement of liabilities | 165,250 | 114,626 |
| Accrued interest payable | 1,714 | (2,784) |
| | (235,217) | (594,931) |
| **Changes in working capital** | | |
| Receivables | 120,194 | 68,830 |
| Payables | 13,777 | 15,262 |
| **Net cash used in operating activities** | (102,246) | (510,839) |
| **Cash flows from investing activities** | | |
| Acquisition of investments and loans to subsidiary | (1,415,353) | (729,570) |
| Loan to associated company | – | (110,913) |
| Purchase of listed investments | (7,986) | (31,947) |
| Sale of listed investments | 7,860 | – |
| Interest received | 49 | 2,726 |
| **Net cash used in investing activities** | (1,415,430) | (869,704) |
| **Cash flows from financing activities** | | |
| Proceeds from share placement | 1,502,994 | 525,000 |
| Issue costs | (133,552) | (47,541) |
| Proceeds from issue of loan notes | 120,000 | – |
| Repayment of loan notes | (80,619) | 248,494 |
| **Net cash from financing activities** | 1,408,823 | 725,953 |
| **Net decrease in cash and cash equivalents** | (107,930) | (654,590) |
| **Cash and cash equivalents at 1 January 2015** | 233,741 | 888,331 |
| **Cash and cash equivalents at 31 December 2015** | 125,811 | 233,741 |

**Notes to the financial statements**
**For the year ended 31 December 2015**

## 1. Incorporation and principal activities

***Country of incorporation***

The Company was incorporated in the United Kingdom as Watermark Global Plc, a Public Limited Company, on 19 August 2005. The name of the Company was changed to Armadale Capital Plc on 2 July 2013. Its registered office is 55 Gower Street, London WC1E 6HQ. The Company is domiciled in the UK.

## 2. Accounting policies

2.1. *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The principal accounting policies are set out below.

2.2. *Going Concern*

The financial statements have been prepared on the going concern basis as, in the opinion of the directors, there is a reasonable expectation that the Group will continue in operational existence for the foreseeable future.

At 13 May 2016, the Group had cash of £128,000 and held listed shares with a balance sheet value of £379,313. The cash in hand is sufficient to meet committed expenditure, including overheads, for approximately three months. In order to continue its operations and to develop further its exploration project, the Group will need to raise further funds. Discussions aimed at procuring the development finance needed to develop the project are at an advanced stage.

The directors believe that the project finance negotiations will be successfully concluded. Furthermore, they consider that it will be possible to raise further short-term working capital if required. However, there are currently no binding agreements in place and there can be no certainty that either of these initiatives will succeed. Should this be the case the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

2.3. *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

**2. Accounting policies (continued)**

2.4. *Acquisitions of exploration licences*

The acquisition of Netcom and Kisenge, was principally the acquisition of mining licences effected through a non-operating corporate structure. As the structure does not represent a business, it is considered that the transactions do not meet the definition of a business combination. Accordingly each transaction is accounted for as the acquisition of an asset. Future consideration for shares is contingent and is recognised as an asset or liability based on the valuation of the shares as at the date of acquisition. Contingent future consideration for shares is not subsequently revalued.

2.5. *Foreign currencies*

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Pounds using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income.

2.6. *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand, with a maturity date of less than three months from inception.

2.7. *Share-based payments*

IFRS 2 'Share-based Payment' requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share based payments at the current fair value at each reporting date.

The Group provides benefits to employees and service providers (including senior executives) of the Group in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

Where the equity-settled transactions are share options their cost is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

**2. Accounting policies (continued)**

2.7 *Share-based payments (continued)*

In valuing equity-settled transactions, no account is taken of any performance conditions, other than market conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or other service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit and loss account charge or credit for a period represents the movements in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Share based payments in respect of third party services are measured by reference to the value of services provided and share price at the relevant date.

2.8. *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

**2. Accounting policies (continued)**

2.8 *Taxation (continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from 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 and current tax assets and liabilities are offset when there is a legally enforceable right to set off when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

2.9. *Exploration and evaluation costs*

Once an exploration licence or an option to acquire an exploration licence has been obtained, all costs associated with exploration and evaluation are capitalised on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses and a pro-rata share of the Group's finance costs but not general overheads. If a mining property development project is successful, the related expenditures will be amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the Company, the related costs will be written off. Unevaluated mineral properties are assessed at reporting date for impairment in accordance with the policy set out below. If commercial reserves are developed, the related deferred development and exploration costs are then reclassified as development and production assets within property, plant and equipment.

2.10. *Investments*

Investments in the individual company accounts, including those in subsidiary companies, are stated at cost less any provision for impairment, which is recognised as an expense in the period the impairment is identified.

In the Group accounts, equity investments are included on the balance sheet as assets available for sale at fair value with value changes being recognised in other comprehensive income unless an impairment is considered to be permanent in which case it is recognised in the income statement. Associates in the Group accounts are recognised at cost less the Group's share of profits or losses of the associate.

2.11. *Plant, equipment and vehicles*

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

**2. Accounting policies (continued)**

2.11 *Plant, equipment and vehicles (continued)*

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives and residual values are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

| | |
|---|---|
| Plant, equipment and vehicles | 3-10 years on a straight line basis |

The depreciation cost relating to assets used in the development of mineral deposits is capitalised until the deposit is bought into production.

2.12. *Impairment of assets*

At the end of each reporting period, the Directors review the carrying amounts of assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, whereby impairment is first allocated to the revaluation reserve, to the extent that it has been previously revalued, with any excess taken to the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in other comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.13. *Financial assets*

Loans and receivables are recognized when the Company and Group become party to the contractual provisions of the financial instrument.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**2. Accounting policies (continued)**

2.14. *Financial liabilities and equity instruments issued by the Group*

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial assets

Financial assets comprise debtors and other investments.

Financial liabilities

Financial liabilities are recognised when the Company and Group become party to a loan.

Financial liabilities represent trade payables and borrowings.

Derivatives and embedded derivatives

Derivatives are accounted for on the balance sheet at fair value with changes recognised in the income statement. Embedded derivatives are separated from their host contracts and accounted for as derivatives when they meet the definition of a derivative and the characteristics can be separated from those of the host contract.

2.15. *Standards issued but not in force*

New interpretations and revised standards effective for the year ended 31st December 2015

The company has adopted the new interpretations and revised standards effective for the year ended 31st December 2015. The adoption of these interpretations and revised standards had no impact on the disclosures and presentation of the financial statements during the year.

Standards and interpretations in issue but not yet effective

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31st December 2015. The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application.

**3. Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements of the Group, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. The directors consider that the only significant source of estimation uncertainty relates to the number of shares to be issued in respect of milestone achievements on the Mpokoto project (note 12).

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

### 3. Significant judgements and sources of estimation uncertainty (continued)

The principal significant judgements are:

The financial statements have been prepared on the going concern basis as, in the opinion of the directors, there is a reasonable expectation that the Group will continue in operational existence for the foreseeable future, as explained more fully in note 2.2.

***Investment and debtors***

At 31 December 2015 the Company held approximately 28% of the issued share capital of MRI, a South African listed company, stated at its market value of £322,708.

In the judgement of the Directors, the Company does not have significant influence over MRI as it does not have any representation on the Board, nor does it have the power to appoint anyone to the Board. MRI is therefore held as an investment in the Statement of Financial Position and revalued to its market value at each reporting date.

The company is also owed a debt of £998,000 secured on shares in MRI. In the opinion of the directors, the ability of the debtor to repay the debt is seriously in doubt and accordingly the amount has been provided against in full.

***Exploration and evaluation assets***

These represent the accumulated costs, including capitalised finance costs, to the Group of its mineral project. Their commercial realisation is dependent upon the successful economic development of the gold deposits and should the development not be achieved, an impairment of these assets would arise. As at the year end the directors were of the opinion that there were no indicators of impairment.

### 4. Financial Risk Management

***Policy***

The Group and Company regularly monitor the cash position to ensure liabilities can be met.

***Financial risk factors***

Financial assets are considered to be minimal and the risk is managed on a day-to-day basis.

The Group and Company is exposed to liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Group and Company to manage these risks are discussed below:

The valuation of the investment in MRI was based on a price of ZAR 0.03 per share, the prevailing market price at 31 December 2015.

The Group and Company is exposed to liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Group and Company to manage these risks are discussed below:

***Liquidity Risk***

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. The Group and Company manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring cash flows and managing the maturity profiles of financial assets and liabilities within the bounds of contractual obligations.

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

### 4. Financial Risk Management (continued)

***Currency Risk***

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a foreign currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand and the US Dollar. The Group's management monitors the exchange rate fluctuations on a continuous basis. The Group's convertible loan is denominated in US Dollars as disclosed in note 17.

***Capital Risk Management***

The Group and Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. This is done through the monitoring of cash flows.

The capital structure of the Group and Company consists of cash and cash equivalents, equity attributable to equity holders of the parent, (comprising issued capital and reserves less accumulated losses) and loan notes.

***Commodity risk***

The value of the Group's exploration and evaluation asset is principally exposed to one commodity, gold. The value of the project is vulnerable to fluctuations in the prevailing market price of gold.

***Fair value estimation***

The fair values of the Group's and Company's financial assets and liabilities approximate to their carrying amounts at the reporting date.

Non-current asset investments are measured at fair value. The fair value is based upon observable inputs and the level of the fair value hierarchy within the measurement is categorised as Level 1. There were no transfers between Level 1 and Level 2 for the year.

### 5. Segmental Information

For management purposes the Group is considered a single operating division based on the information provided to the Chief Operating Decision Maker which is considered to be the Board.

### 6. Finance Income

Interest received is summarised as follows:

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| Bank interest | 49 | 962 |
| Interest on third party loans | – | 6,493 |
| | 49 | 7,455 |

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

## 7. Loss before tax

This is stated after charging:

| | 2015 £ | 2014 £ |
|---|---|---|
| Directors' emoluments | 99,087 | 102,190 |
| Depreciation | 12,545 | 2,858 |
| Auditors' remuneration | | |
| Fees payable to Company's auditors for the audit of the Group and Company financial statements | 30,000 | 36,343 |
| Fees payable to the Company's auditors for taxation compliance services | 5,197 | 5,521 |
| Loss on disposal of investments | 24,335 | – |
| Share based payment charge | – | 84,000 |
| Impairment of investments | 316,213 | 67,500 |
| Provision against loan | – | 225,326 |

## 8. Employees

| | 2015 | 2014 |
|---|---|---|
| The average monthly number of persons (including Directors) employed by the Group during the year was: | | |
| Group | 15 | 6 |
| Company | 3 | 2 |

| **Employment costs** | **£** | **£** |
|---|---|---|
| **Group** | | |
| Wages and salaries (including directors) | 297,915 | 158,680 |
| Social security costs | 11,914 | 5,566 |
| | 309,829 | 164,246 |
| **Company** | | |
| Wages and salaries (including directors) | 99,087 | 102,190 |
| Social security costs | – | – |
| | 99,087 | 102,190 |
| **Remuneration of Directors of the Company** | | |
| Aggregate emoluments | 99,087 | 102,190 |
| Emoluments of the Highest Paid Director | 49,999 | 60,000 |

All Directors of the Group and Company are considered to be the key management personnel.

Of the total employment costs, a value of £210,742 has been capitalised within E&E asset additions in the year ended 31 December 2015 (£62,056 for the year ended 31 December 2014).

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

## 9. Taxation

| | 2015 £ | 2014 £ |
|---|---|---|
| **Continuing operations** | | |
| **Current Tax** | | |
| Current tax on loss for the year | – | – |

| | 2015 £ | 2014 £ |
|---|---|---|
| **Continuing operations** | | |
| Factors affecting the tax charge for the year | | |
| Loss on ordinary activities before taxation | (991,512) | (1,077,697) |
| Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.25% (2014: 21.5%) | (200,781) | (231,705) |
| **Effects of:** | | |
| Depreciation | 2,540 | 614 |
| Share based employee costs | – | 18,060 |
| Impairment of investment | 68,961 | 14,512 |
| Provision against loan | – | 48,444 |
| Trading losses | 129,280 | 150,075 |
| UK Corporation tax | – | – |

A deferred tax asset of approximately £1,179,000 (2014: £1,050,000) in respect of the parent company has not been recognised owing to the uncertainty over the timing of future recoverability.

## 10. Loss per share

The calculation of loss per share is based on a loss of £991,512 (2014, £1,077,697), and on 51,875,616 ordinary shares (2014, 24,327,238), being the weighted average number of shares in issue during the year. On 22 June 2015, the ordinary shares of the Company were consolidated by the issue of one new ordinary share in exchange for 150 existing ordinary shares. Earnings per share has been calculated on the basis that the revised structure applied throughout the year and the comparative figure has been restated on the same basis.

There is no difference between basic loss per share and diluted loss per share as the Group reported a loss for the year.

The company has issued options over ordinary shares which could potentially dilute basic earnings per share in the future.

## 11. Exploration and evaluation assets

| **Group** | 2015 £ | 2014 £ |
|---|---|---|
| **Cost** | | |
| At 1 January | 3,515,769 | 2,910,770 |
| Exchange movements | 42,817 | – |
| Additions | 1,364,604 | 604,999 |
| At 31 December | 4,923,190 | 3,515,769 |

Included in additions are capitalised finance costs of £131,958 (2014, £nil).

As production has not commenced, no amortisation was charged during the year, in accordance with the Group's accounting policy.

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

## 12. Property, plant and equipment

**Group**

| **Cost** | **Plant** £ | **Equipment** £ | **Vehicles** £ | **Total** £ |
|---|---|---|---|---|
| At 1 January 2014 | – | – | – | – |
| Additions | 11,902 | 9,983 | 15,300 | 37,185 |
| At 31 December 2014 | 11,902 | 9,983 | 15,300 | 37,185 |
| Exchange movements | 663 | 556 | 853 | 2,072 |
| At 31 December 2015 | 12,565 | 10,539 | 16,153 | 39,257 |
| **Depreciation** | | | | |
| At 1 January 2014 | – | – | – | – |
| Charge for the year | 71 | 1,157 | 1,630 | 2,858 |
| At 31 December 2014 | 71 | 1,157 | 1,630 | 2,858 |
| Exchange movements | 4 | 65 | 91 | 160 |
| Charge for the year | 298 | 4,796 | 7,451 | 12,545 |
| At December 2015 | 373 | 6,018 | 9,172 | 15,563 |
| **Net book value** | | | | |
| At 31 December 2015 | 12,192 | 4,521 | 6,981 | 23,694 |
| At 31 December 2014 | 11,831 | 8,826 | 13,670 | 34,327 |

## 13. Investments

**Non-current asset investments – Group**

| **Cost** | **Other investments** £ | **Associated company** £ | **Total** £ |
|---|---|---|---|
| At 1 January 2014 | 44,672 | 2,753,267 | 2,797,939 |
| Additions | 31,947 | 118,426 | 150,373 |
| Transfer to current asset investments | – | (2,871,693) | (2,871,693) |
| At 31 December 2014 | 76,619 | – | 76,619 |
| Additions | 7,986 | – | 7,986 |
| At 31 December 2015 | 84,605 | – | 84,605 |
| **Impairment** | | | |
| At 1 January 2014 | – | 2,161,077 | 2,161,077 |
| Transfer to current asset investments | – | (2,182,077) | (2,182,077) |
| Impairment | 46,500 | 21,000 | 67,500 |
| At 31 December 2014 | 46,500 | – | 46,500 |
| Impairment (release) | (18,500) | – | (18,500) |
| At 31 December 2015 | 28,000 | – | 28,000 |
| **Net book value** | | | |
| At 31 December 2015 | 56,605 | – | 56,605 |
| At 31 December 2014 | 30,119 | – | 30,119 |

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

**13. Investments (continued)**

**Non-current asset investments – Company**

In addition to the above investments, included within non-current asset investments in the Company's statement of financial position, is £2,845,209 (2014: £2,845,209) in relation to investments in its subsidiaries.

| **Current asset investments – Group and Company** | **2015 £** | **2014 £** |
|---|---|---|
| At 1 January 2015 | 689,616 | – |
| Transfer from non-current investments – cost | – | 2,871,693 |
| Transfer from non-current investments – accumulated share of losses and impairment | – | (2,182,077) |
| Disposals | (32,195) | – |
| Impairment charge for year | (334,713) | – |
| Valuation at 31 December 2015 | 322,708 | 689,616 |

The Group has an interest of approximately 28% in MRI, a company involved in the processing of coal fines.

As there is an intention to sell the investment in MRI, it has been classified as a current asset investment and a further impairment charge has been made to reduce its carrying value to market value of £322,708, in accordance with the requirements of IFRS. The price realised from disposing of this entire shareholding may be lower owing to the percentage of shares held and the illiquidity of the market. The impairment charge is considered prolonged and has therefore been recognised in the income statement

The subsidiary companies are:

| **Name and nature of business** | **Country of Registration** | **Class of shares** | **% held** |
|---|---|---|---|
| Netcom Global Inc. (intermediate holding company) | Nevis | Ordinary | 100 |
| Kisenge Limited (intermediate holding company) | British Virgin Islands | Ordinary | 100 |
| Cliff Mining Congo, SARL* (mining project operator) | Democratic Republic of Congo | Ordinary | 100 |
| Mines D'Or de Kisenge, SARL* (mining licence holder) | Democratic Republic of Congo | Ordinary | 80 |
| Water Utilities Limited (in process of dissolution) | British Virgin Islands | Ordinary | 100 |

* Held through Kisenge Limited

The interest of 20% in Mines d'Or de Kisenge, SARL not held by the Group is held by Entreprise Miniere de Kisenge-Manganese SARL ("KMC") a Congolese Government entity. KMC is entitled to participate in future revenues from the project. As KMC was not required to contribute to its share of exploration and evaluation costs and no revenues have yet been generated, there is no non-controlling interest to report in these financial statements.

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

### 13. Investments (continued)

Under the terms of acquisition of Netcom Global Inc, completed on 15 November 2013, further ordinary shares in the company were potentially to be issued to the vendors as follows:

i. 350 million (now 2.333 million) Ordinary Shares issued upon the grant of Exploration Licences for the Mpokoto Project to the Company (the "Further Consideration Shares"). The Further Consideration Shares, valued at 0.26p per share, were included as part of the cost of the investment in Netcom.

ii. up to 220 million (now 1.467 million) Ordinary Shares were to be issued upon the completion of three key milestones (the "Milestone Shares"):

- 60 million (now 0.4 million) Ordinary Shares upon completion of a pre-feasibility study;
- 60 million (now 0.4 million) Ordinary Shares upon the delineation of a JORC reserve of at least 120,000 ounces of gold; and
- 100 million (now 0.667 million) Ordinary Shares upon the production of the first 5,000 ounces of gold from the project.

The directors assessed a 100% likelihood of the first two milestones being achieved and a 50% likelihood of the third milestone being achieved.

The value of the milestone shares was included as part of the cost of the investment in Netcom, valued at 0.26p per share.

During 2014, the conditions applying to the Further Consideration Shares and the first tranche of Milestone Shares were fulfilled and accordingly 410 million (now 2.733 million) Ordinary Shares in the Company were issued to the vendors.

The conditions applying to the second and third tranche of Milestone Shares have not yet been fulfilled.

### 14. Trade and other receivables

| | 2015 | 2014 |
|---|---|---|
| **Group** | **£** | **£** |
| Unpaid proceeds of share placing | 135,000 | – |
| Other debtors and prepayments | 182,230 | 182,645 |
| Total current receivables | 317,230 | 182,645 |
| **Company** | | |
| Amounts owed by group undertakings | 2,159,250 | 743,897 |
| Total non-current receivables | 2,159,250 | 743,897 |
| Unpaid proceeds of share placing | 135,000 | |
| Other receivables | 18,495 | 58,027 |
| Total current receivables | 153,495 | 58,027 |

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

## 15. Trade and other payables

| | 2015 | 2014 |
|---|---|---|
| **Group** | **£** | **£** |
| Trade payables | 178,599 | 77,979 |
| Other creditors and accruals | 160,887 | 75,095 |
| | 339,486 | 153,074 |
| **Company** | | |
| Trade payables | 30,361 | 13,593 |
| Other creditors and accruals | 55,750 | 58,741 |
| | 86,111 | 72,334 |

All trade and other payables are due within three months.

## 16. Loan notes

| | 2015 | 2014 |
|---|---|---|
| **Group and Company** | **£** | **£** |
| Balance 1 January | – | – |
| Issued | 200,000 | – |
| Accrued interest | 5,530 | – |
| Repaid | (160,193) | – |
| | 45,337 | – |

The non-convertible loan notes were issued on 8 June 2015 to fund the repayment of the convertible loan notes (see note 17). The notes accrued interest at 12 per cent per annum and were repayable six months from the date of issue. The remaining notes together with accrued interest were repaid in full on 29 February 2016 by conversion into Ordinary Shares in the Company (see note 23).

## 17. Convertible loan notes (non-current))

| | 2015 | 2014 |
|---|---|---|
| **Group and Company** | **£** | **£** |
| At 1 January | 216,570 | – |
| Issued in year | – | 248,494 |
| Converted | (208,626) | – |
| Transfer from/(to) derivative liability | 41,416 | (41,416) |
| Accretion on loan notes | 111,259 | 9,492 |
| Repaid | (160,619) | – |
| | – | 216,570 |

Under an arrangement with Bergen Global Opportunity Fund LP ("Bergen") US$480,000 nominal of zero coupon loan notes were issued on 15 October 2014 for proceeds of US$400,000 for a term of two years. The notes were convertible into Ordinary Shares of the Company at the option of Bergen at the prevailing market price at conversion. The liability component was valued in accordance with the accounting policy set out in note 1 using an interest rate of 20%.

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

### 17. Convertible loan notes (non-current) (continued)

Under the terms of the arrangement, a facility fee of £49,625 was paid to Bergen satisfied by the issue of 58,382,857 (now 389,219) Ordinary Shares in the Company. The fee was offset against the loan liability and was amortised over the life of the facility.

On 8 June 2015, the Company entered into an agreement with Bergen to repay the balance of the loan notes and to terminate its funding agreement with Bergen. In consideration of Bergen agreeing to an early repayment, the company made a payment of £30,000 to Bergen, satisfied by the issue of 750,000 Ordinary Shares in the Company at 4p per share on 13 July 2015.

### 18. Share capital

| | | Ordinary Shares of 0.01p/0.1p each* | | Deferred Shares of 0.14p each | | Deferred Shares of 1.4p each | |
|---|---|---|---|---|---|---|---|
| | | Number | £ | Number | £ | Number | £ |
| At 1 January 2014 | | 3,281,518,251 | 328,153 | 1,531,374,350 | 2,143,923 | | |
| Issue of shares | | 908,382,857 | 90,838 | – | – | | |
| At 31 December 2014 | | 4,189,901,168 | 418,991 | 1,531,374,350 | 2,143,923 | – | – |
| 9 January | Loan note conversion at 0.05p per share | 66,286,000 | 6,629 | | | | |
| 24 February | Loan note conversion at 0.04p per share | 81,607,500 | 8,161 | | | | |
| 18 March | Issue of shares for cash at 0.03p per share | 716,666,462 | 71,666 | | | | |
| | Issue of shares in settlement of liabilities at 0.03p per share | 350,000,000 | 35,000 | | | | |
| 24 March | Loan note conversion at 0.01p per share | 76,660,000 | 7,666 | | | | |
| 21 April | Loan note conversion at 0.01p per share | 362,312,000 | 36,231 | | | | |
| 6 May | Loan note conversion at 0.01p per share | 220,646,667 | 22,065 | | | | |
| | Issue of shares in settlement of liabilities at 0.025p per share | 100,000,000 | 10,000 | | | | |
| 10 June | Exercise of warrants at 0.0225p per share | 175,000,000 | 17,500 | | | | |

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

## 18. Share capital (continued)

| | | Ordinary Shares of 0.01p/0.1p each* | | Deferred Shares of 0.14p each | | Deferred Shares of 1.4p each | |
|---|---|---|---|---|---|---|---|
| **2015** | | **Number** | **£** | **Number** | **£** | **Number** | **£** |
| 22 June | Consolidation and reorganisation of share capital | (6,296,819,464) | (591,648) | | | 42,260,533 | 591,648 |
| 26 June | Exercise of Warrants at 3.375p per share | 583,333 | 583 | | | | |
| 13 July | Issue of shares for cash at 4p per share | 7,706,125 | 7,706 | | | | |
| | Loan note conversion at 4p per share | 1,543,875 | 1,544 | | | | |
| | Issue of shares in settlement of liabilities at 4p per share | 750,000 | 750 | | | | |
| 14 August | Issue of shares for cash at 3.5p per share | 20,000,000 | 20,000 | | | | |
| 26 October | Exercise of warrants at 3.375p per share | 1,166,667 | 1,167 | | | | |
| 18 December | Issue of shares for cash at 3p per share | 13,825,000 | 13,825 | | | | |
| | Issue of shares in settlement of liabilities at 3p per share | 175,000 | 175 | | | | |
| At 31 December 2015 | | 88,010,533 | 88,011 | 1,531,374,350 | 2,143,923 | 42,260,533 | 591,648 |

*The nominal value of each Ordinary Share was 0.01p until the consolidation and reorganisation of the share capital on 22 June 2015 and 0.1p thereafter

## 19. Share based payment arrangements

No options over Ordinary Shares in the Company were granted during the year.

A summary of outstanding options is as follows:

| | Exercise price | Held at 1 January 2014 | Granted 19 November 2014 | Held at 1 January 2015 | Expired | Held at 31 December 2015 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| Peter Marks | | | | | | |
| Granted 01.10.13 | 15p | 333,333 | | 333,333 | | 333,333 |
| Granted 19.11.14 | 15p | | 333,333 | 333,333 | | 333,333 |
| Justin Lewis | | | | | | |
| Granted 01.10.13 | 15p | 333,333 | | 333,333 | | 333,333 |
| Granted 19.11.14 | 15p | | 666,667 | 666,667 | | 666,667 |
| **Consultants** | | | | | | |
| Granted 11.02.08 | 100.5p | 6,667 | | 6,66,7 | (6,667) | – |
| Granted 01.07.09 | 30p | 13,333 | | 13,333 | (13,333) | – |
| Granted 01.10.13 | 15p | 266,667 | | 266,667 | | 266,667 |
| Granted 19.11.14 | 15p | – | 400,000 | 400,000 | | 400,000 |
| | | 953,333 | 1,400,000 | 2,353,333 | (20,000) | *2,333,333 |

The number of options and their exercise prices have been adjusted for the effects of the share capital sub-division on 28 June 2013 and the share capital consolidation and reorganisation on 22 June 2015

* representing 2.65% of the issued share capital of the company

All of the outstanding options held at year end were exercisable at weighted average exercise price of 15p (2014:15.3p).

**Notes to the financial statements (continued)**
**For the year ended 31 December 2015**

### 19. Share based payment arrangements (continued)

The following information is relevant in the determination of the fair value of the options granted during the previous years:

The inputs to the Black-Scholes model were as follows:

| | **2014** | **2013** |
|---|---|---|
| Share price | 0.07p | 0.1p |
| Exercise price | 0.1p | 0.1p |
| Expected volatility | 71% | 71% |
| Risk free rate of interest | 1% | 1% |
| Expected dividend yield | 0% | 0% |
| Expected life | 10 years | 10 years |

Expected volatility was determined by reference to the historical volatility of similar listed entities.

### 20. Reserves

A description of the nature of each Reserve and a summary of movements are shown in the Statements of Changes in Equity on pages 22 and 23.

The Company has taken advantage of the exemption conferred by section 408 of Companies Act 2006 from presenting its own statement of comprehensive income. A loss after taxation of £777,170 (2014: £1,085,636) has been included in the financial statements of the parent company.

### 21. Related party transactions

During the year payments of £40,000 (2014: nil), £40,000 (2014: £112,509) and £nil (2014: £25,000) were made to Henslow Pty Ltd, Halcyon Corporate Pty Limited and Peregrine Corporate Limited respectively for consultancy services. The services provided include fundraising and corporate services, as well as the provision of additional time by Justin Lewis. Justin Lewis is a director of Henslow Pty Ltd and Halcyon Corporate Pty Limited, Peter Marks was formerly a director of Peregrine Corporate Limited . There were no amounts outstanding in respect of these transactions at 31 December 2015 (2014, nil).

### 22. Ultimate controlling party

There was no ultimate controlling party during the year.

### 23. Subsequent events

On 29 February 2016, the remaining loan notes described in note 16, together with accrued interest, amounting in aggregate to £46,243, were converted into 1,541,434 Ordinary Shares of 0.1p at 3p per share.

On 9 March 2016, the Company placed 7,000,000 Ordinary Shares of 0.1p at a price of 3p to raise £210,000.

# ARMADALE CAPITAL PLC

55, Gower Street, London WC1E 6HQ

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Armadale Capital Plc ('the Company') will be held at 55, Gower Street, London WC1E 6HQ on 24 June 2016 at 11.00 am for the purpose of considering and, if thought fit, passing the following Resolutions which will be proposed as ordinary resolutions in the cases of Resolutions 1-4 and as a special resolution in the case of Resolution 5.

**ORDINARY BUSINESS**

1 To receive the report of the Directors and the audited financial statements of the Company for the year ended 31 December 2015.

2 To re-appoint Andrew Tunks as a Director of the Company, who, having been appointed during the previous 12 months, offers himself for re-appointment under the Articles of Association of the Company.

3 To re-appoint BDO LLP as auditors of the Company to act until the conclusion of the next Annual General Meeting and to authorise the Directors to determine the remuneration of the auditors.

**SPECIAL BUSINESS**

**ORDINARY RESOLUTION**

4 That in substitution for all existing and unexercised authorities, the directors of the Company be and they are hereby generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 ('the Act') to exercise all or any of the powers of the Company to allot Relevant Securities (as defined in this Resolution) up to a maximum nominal amount of £100,000 provided that this authority shall, unless previously revoked or varied by the company in general meeting, expire on the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this Resolution, unless renewed or extended prior to such time except that the directors of the Company may before the expiry of such period make an offer or agreement which would or might require Relevant Securities to be allotted after the expiry of such period and the directors of the Company may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. In this Resolution, "Relevant Securities" means any shares in the capital of the Company and the grant of any right to subscribe for, or to convert any security into, shares in the capital of the Company ("Shares") but does not include the allotment of Shares or the grant of a right to subscribe for Shares in pursuance of an employee's share scheme or the allotment of Shares pursuant to any right to subscribe for, or to convert any security into, Shares.

**SPECIAL RESOLUTION**

5 That in substitution for all existing and unexercised authorities and subject to the passing of the preceding Resolution, the directors of the Company be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred upon them by the preceding Resolution as if section 561(1) of the Act did not apply to any such allotment provided that the power conferred by this Resolution, unless previously revoked or varied by special resolution of the Company in general meeting, shall be limited to:

(a) the allotment of ordinary shares of 0.1p each in the capital of the Company arising from the exercise of options and warrants outstanding at the date of this Resolution;

(b) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective numbers of the ordinary shares held by them subject only to such exclusions or other arrangements as the directors of the Company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory; and

(c) the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £100,000;

and shall expire on the earlier of the date of the next Annual General Meeting of the Company or 15 months from the date of the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

| | |
|---|---|
| *Registered Office:* | *By order of the Board* |
| 55 Gower Street | Charles Zorab |
| London WC1E 6HQ | Company Secretary |

19 May 2016

**Notes to the Notice of Annual General Meeting**

**Entitlement to attend and vote**

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members 48 hours before the time of the Meeting shall be entitled to attend and vote at the Meeting.

**Appointment of proxies**

2. If you are a member of the Company at the time set out in note 1 above, whether or not you are able to attend the meeting, you may use the enclosed form of proxy to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

**Appointment of proxy using hard copy proxy form**

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   completed and signed;

   sent or delivered to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232; and

   received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

**Appointment of proxy by joint members**

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

**Changing proxy instructions**

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited on 01252 821 390.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

**Termination of proxy appointments**

9. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

   By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

**Issued shares and total voting rights**

10. As at 19 May 2016 the Company's issued share capital comprised 96,551,967 Ordinary Shares. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 19 May 2016 is 96,551,967

**Communications with the Company**

11. Except as provided above, members who have general queries about the Meeting should telephone the Company Secretary, Charles Zorab, on 020 7233 1462 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

**CREST**

12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

    CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via euroclear.com/CREST).

    The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: 7RA36) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

    CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of CREST by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

**Form of Proxy for use at the Annual General Meeting**

# ARMADALE CAPITAL PLC

*(Registered in England and Wales with company number 5541602)*

I, a Member of **ARMADALE CAPITAL PLC** (hereinafter referred to as 'the Company') and entitled to vote, hereby appoint the Chairman, or ______________________________ as my proxy to attend and vote for me and on my behalf at the Annual General Meeting of the Company to be held on 24 June 2016 at 11.00 am and at any adjournment thereof.

*(Please indicate below how you wish your votes to be cast. If the Form of Proxy is returned without any indication as to how the proxy should vote on any particular matter, the proxy will vote as they think fit.)*

| **Ordinary Resolutions** | **FOR** | **AGAINST** | **ABSTAIN** |
|---|---|---|---|
| 1 To receive the report of the Directors and the audited financial statements of the Company for the year ended 31 December 2015. | | | |
| 2 To re-elect P Marks as a Director. | | | |
| 3 To re-appoint BDO LLP as auditors of the Company and to authorise the Directors to determine their remuneration. | | | |
| **Special Business** | | | |
| | | | |
| **Ordinary Resolution** | | | |
| 4 To authorise the Directors to allot relevant securities up to a maximum nominal amount of £100,000. | | | |
| **Special Resolution** | | | |
| 4 To authorise the Directors to allot relevant securities up to a maximum nominal amount of £100,000. | | | |

| |
|---|
| Signature |
| Date |
| Full name |
| Address |

**NOTES**

1. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend and vote at the Meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to attend and vote on his/her behalf.

2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.

3. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please insert his/her name and delete "the Chairman of the Meeting or".

4. Please indicate how you wish your proxy to vote by deleting either for or against. Unless otherwise instructed the person appointed a proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting on any particular resolution as he/she thinks fit.

5. A corporation must seal this Form of Proxy or have it signed by an officer or attorney or other person authorised to sign on its behalf. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with this Proxy Form.

6. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

7. Pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members 48 hours before the time appointed for the meeting or any adjournment thereof.

8. To be valid this Form of Proxy must reach Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232 not later than 48 hours (excluding non-business days) before the time of the Meeting. Lodgement of a Form of Proxy does not preclude a member from attending the Meeting and voting in person.