

**Armadale Capital Plc**

**Annual Report and Accounts**

**31 December 2019**

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**Officers and Professional Advisers**

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**Directors**

Nicholas Johansen – Chairman

Emmanuel S Mahede

Amne Suedi (appointed 7 January 2020)

Matt Bull (appointed 24 April 2020)

**Secretary**

Timothy Jones

**Registered office**

1 Arbrook Lane

Esher

Surrey, KT10 9EG

**Nominated Adviser and Joint Broker**

finnCap Ltd

60 New Broad Street

London EC2M 1JJ

**Joint Broker**

SI Capital Limited

46 Bridge Street

Godalming

Surrey

GU17 1HL

**Auditors**

BDO LLP

55 Baker Street

London W1U 7EU

**Solicitors**

Druces LLP

Salisbury House

London Wall

London EC2M 5PS

**Registrars**

Share Registrars Limited

Craven House

West Street

Farnham

Surrey GU9 7E

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**Strategic Report**  
**For the year ended 31 December 2019**

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Armadale Capital plc (LON: ACP), the AIM quoted investment group focused on natural resource projects in Africa and actively developing the long-life low-cost Mahenge Liandu Graphite Project in Tanzania is pleased to announce its Final Results for the Year Ended 31 December 2019.

**Operational and Corporate Highlights for Period Ending 31 December 2019**

**Significant progress made in delivering key accretive milestones in advancing the Mahenge Liandu Graphite Project in Tanzania ('Mahenge' or 'Mahenge Liandu')**

1. Completed Resource Upgrade incorporating high-grade near surface mineralisation intersected in drilling.
2. Delivered revised Resource estimate which, broken down by categories is as follows:
  - Measured: 11.5Mt @ 10.5% vs Nil previously
  - Indicated: 32.1Mt @ 9.6% vs 38.7Mt @ 9.3% previously
  - Inferred: 15.9Mt @ 9.8% vs 12.4Mt @ 9.1% previously
3. Metallurgical test-work programme completed with results confirming that high-quality graphite flake of up to 97.1% purity can be produced
4. Targeting commercial production 2021
5. Further off-take MOU signed and discussions underway with other potential customers
6. Advancing workstream to secure project level funding mandate

**Post Period End – Key Data Announced From DFS**

1. US\$882m pre-tax cashflow generated from initial 17 year mine life
2. Estimated pre-tax NPV of US\$358m (utilising a discount rate of 10%) and IRR of 91%
3. Staged ramp-up planned to facilitate near term production with 60,000tpa graphite concentrate to be produced for the first four years (Stage 1) before increasing to 90,000tpa (Stage 2)
4. Capital cost estimate for Stage 1 is US\$38.6m, which includes a contingency of US\$4.1m or 15% of total direct capital cost
5. 1.6 year payback for Stage 1 (after tax) based on an average sales price of US\$1,179/tonne. Stage 2 expansion is expected to be funded from cashflow

Considerable scope for further positive improvement upon economics in near-term through delivery of optimised DFS.

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**Strategic Report (continued)**  
**For the year ended 31 December 2019**

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**Post Period End - Other**

1. Board strengthened with the previously announced appointments of Ms Amne Suedi as Non-Executive Director in January 2020 and Mr Matt Bull as Non-Executive Director in April 2020
2. Two additional MOUs signed to supply high quality graphite products produced at Mahenge Liandu
3. Focus remains upon converting existing off-take agreements from MoUs to binding offtake agreements
4. Continuation of application for full mining licence (thus furthering major permitting milestones)
5. Advancement of discussions with potential debt finance partners and project level development funding for construction
6. Ongoing review of quoted portfolio, where the Directors believe there are opportunities for capital gains
7. Continue to actively review other exciting investment opportunities

During the year under review, Armadale continued to operate as a diversified investing company focused on natural resource projects in Africa. To this end, its portfolio is divided into two groups:

- Actively managed investments where the Company has majority ownership of the investment; and
- Passively managed investments where the Company has a minority investment, typically in a quoted company, and does not have management control.

Currently, the Company's key actively managed investment is the Mahenge Liandu Graphite Project in Tanzania.

With its large, high-grade open cut resource, and having completed a Definitive Feasibility Study that highlighted an NPV of US\$358m and IRR of 91%, the Company is on track to commence production at the Project during the course of 2022. This is timely given that global need for graphite is set to accelerate driven by demand for spherical graphite from the new energy sector as well as emerging demand for expandable graphite used in products such as fire-proof insulation.

Notably, the strength of the market was highlighted when, post period end, the Company signed two additional off-take MOUs. The Company is also currently reviewing other potential markets and customers within this space.

Additionally, the Company continued to actively review other investment opportunities with a view to targeting investments with similar quality and potential as Mahenge Liandu.

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**Strategic Report (continued)**  
**For the year ended 31 December 2019**

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**ACTIVELY MANAGED INVESTMENTS**

**Mahenge Liandu Graphite Project, Tanzania**

The Company continued to deliver excellent progress at its 100% owned Mahenge Liandu Graphite Project during 2019. where an extensive drilling campaign during the year delivered a meaningful upgrade in the Mineral Resource Estimate for Mahenge where the total Mineral Resource Estimate increased to a JORC compliant 59.5Mt @ 9.8% Total Graphitic Content ('TGC') and making it one of the largest high-grade graphite deposits in Tanzania.

The revised resources estimate broken down by categories is as follows:

- Measured: 11.5Mt @ 10.5% vs Nil previously
- Indicated: 32.1Mt @ 9.6% vs 38.7Mt @ 9.3% previously
- Inferred: 15.9Mt @ 9.8% vs 12.4Mt @ 9.1% previously

This upgrade reflects the substantial work undertaken by our team on the ground in Tanzania this year and is a clear step forward the development of Mahenge away from production.

In addition, the Company successfully completed an outstanding metallurgical test-work programme where results which confirming high-quality graphite flake of up to 97.1% purity convincingly demonstrated that Armadale can produce a high-quality graphite concentrate.

Work to date has demonstrated Mahenge Liandu's potential as a project with compelling economics and a deposit with significant tonnage, high-grade coarse flake and near surface mineralisation (implying a low strip ratio) contained within one contiguous ore body.

The focus of activities for the remainder of 2019 into 2020 was the completion of a Definitive Feasibility Study ('DFS') which, post-period end on 31 March 2020 delivered extremely compelling economics. The study represented one of the most significant de-risking milestones in the Company's history to date delivering economics such as a 91% IRR and a 1.6 year payback upon capital.

The DFS demonstrated that Armadale can be a significant low-cost supplier to the graphite industry with the potential to generate pre-tax cashflows of US\$882m over an initial 17 year mine-life and scope for further improvement work for which is currently progressing with an updated DFS nearing completion.

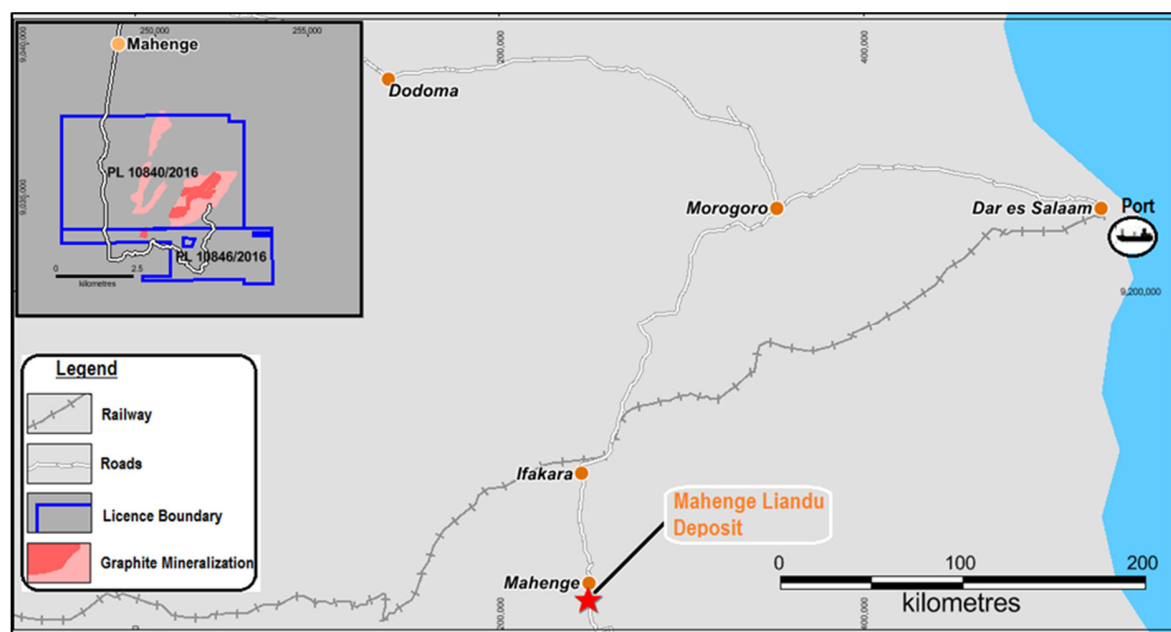
Further details of the Definitive Feasibility Study may be found below.

**Project Location & Licences**

The Mahenge Project is located in the Morogoro region, Ulanga district, Tanzania close to existing transport infrastructure. It is 10km south of the Mahenge township and about 76km via a well-maintained dirt road to Ifakara after which it is 400km by sealed road from Dar-es-Salaam port. Other operators in the region include Blackrock Mining Limited and Kibaran Resources Limited, which have similar product purity and resource grades.

**Strategic Report (continued)**  
**For the year ended 31 December 2019**

**Location of Mahenge Liandu Prospect**



The Company holds following exploration tenements for Mahenge Liandu:

- PL10846/2016 granted on 21/9/2016 expires 20/9/2020 area 7.34 square kilometres
- PL10840/2016 granted 21/9/2016 expires 20/9/2020 area 21.89 square kilometres

**Project Geology**

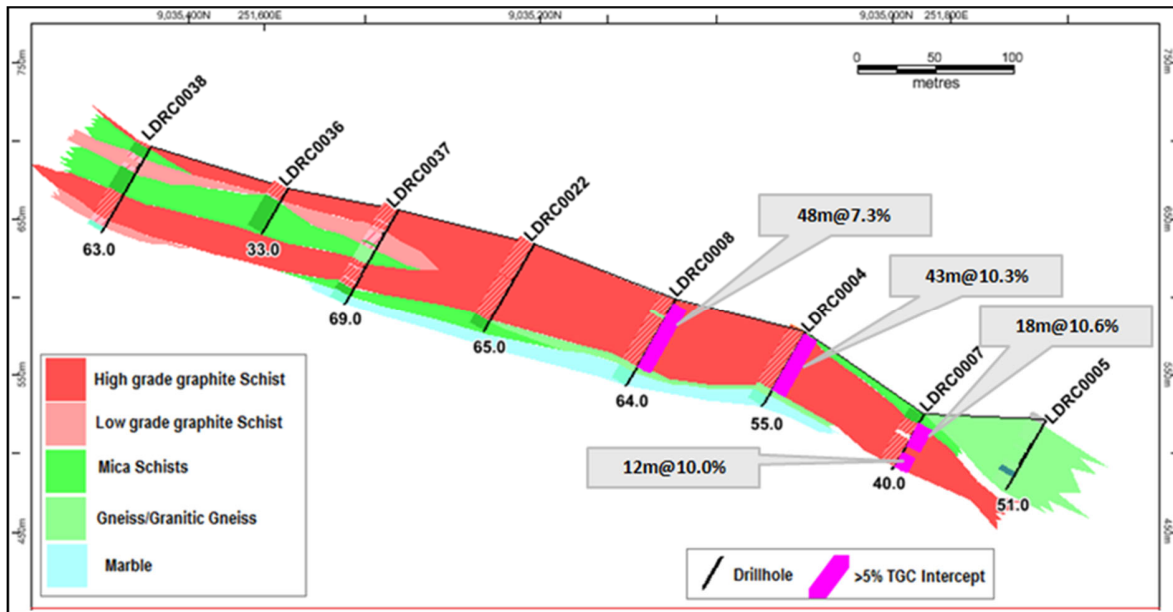
The prospect is situated within the pan African Mozambique belt, which is the orogenic belt resulting from activities taking place in the Neoproterozoic time. The belt extends along the eastern border of Africa from Ethiopia through Kenya and Tanzania. The orogenic event resulted in a complex series of geological events including the rifting system. The belt consists of high-grade mid-crustal rocks with a Neoproterozoic metamorphic overprint. It is divided into the Western Granulite and Eastern Granulite. The deposit is situated in the Eastern Granulites. The belt has undergone retrograde metamorphism which resulted in the present upper amphibolite metamorphic facies in the Project area.

Systematic drilling indicated the existence of broad, shallow to steep dipping schists overlaying granitic gneisses/gneiss. The gneisses are underlaid by marble units. The graphitic schists form alternating compositional layering, with quartz being the content that differentiates these units. High grade graphite schists (graphite schist) have a lower composition of quartz. Medium to low grade graphite schists (quartz graphite schist) have a higher visual quartz percentage. The marble unit likely forms the base of the sequence (there has not been drilling done beyond the marble unit).

The drilling results have been very consistent with the structural measurements taken during the mapping programme which suggested gentle to steep dipping to the south and south-southwest. The mineralisation remains open in all directions.

Strategic Report (continued)  
For the year ended 31 December 2019

Typical Mahenge Liandu cross section showing mineralised units





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**Strategic Report (continued)**  
**For the year ended 31 December 2019**

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**Definitive Feasibility Study**

Post-period end a Definitive Feasibility Study was completed for Mahenge Liandu, which included the completion of a mine optimisation study, infill drilling and the resource upgrade.

Highlights of the Definitive Feasibility Study were as follows

- DFS confirms Mahenge in the board's view as a large, long life, low cost graphite deposit with a focus on high quality graphite concentrate for the rapidly emerging EV market
- US\$882m pre-tax cashflow generated from initial 17 year mine life utilises just 25% of the resource, which remains open in multiple directions offering significant further upside
- Estimated pre-tax NPV of US\$358m (utilising a discount rate of 10%) and IRR of 91% with scope for further positive improvement upon economics in near-term through delivery of optimised DFS
- Staged ramp-up planned to facilitate near term production with 60,000tpa graphite concentrate to be produced for the first four years (Stage 1) before increasing to 90,000tpa (Stage 2)
- Capital cost estimate for Stage 1 is US\$38.6m, which includes a contingency of US\$4.1m or 15% of total direct capital cost, a slight increase on the scoping study allowing for the staged ramp up
- 1.6 year payback for Stage 1 (after tax) based on an average sales price of US\$1,179/t
  - Stage 2 expansion is expected to be funded from cashflow
- The outlook for the graphite market remains strong with the ongoing development of the EV market
- Scope for improvement of DFS economics through delivery of further detailed modelling of higher-grade zones to increase the head grade in the mine schedule - work is underway
- Application for Mining Licence is planned to commence in Q3 2020
- Projected timeline to first production is expected to be approximately 10-12 months from the start of construction
- DFS delivery has confirmed the commercial potential of Mahenge and will support ongoing discussions for offtake agreements, debt package finance for construction and project level development funding

The Definitive Feasibility Study for the Mahenge Graphite Project delivered extremely compelling economics. This study represents one of the most significant de-risking milestones in the Company's history to date. The Feasibility Study demonstrated economics such as a 91% IRR and a 1.6 year payback upon capital. The DFS showed that Armadale can be a significant low-cost supplier to the graphite industry with the potential to generate pre-tax cashflows of US\$882m over an initial 17 year mine-life and scope for further improvement

**Environmental and Social Studies**

During August 2018, the Company announced the completion of field work for Environmental and Social baseline surveys and the Company has finalised the Environmental Social Impact Assessment ('ESIA') and Relocation Action Plan ('RAP') for submission to the National Environment Management Council ('NEMC').

To help increase local engagement in the Project area, the Company has appointed a community liaison officer who will aid understanding of the impact and benefits of mining in the region. Further information in respect of this work of will be provided as progress is made.

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**Strategic Report (continued)**  
**For the year ended 31 December 2019**

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**Product Marketing and Offtake Partners**

In February 2019, the Company announced an MOU with the Matrass Group, a China based graphite mining and processing company, for high quality graphite products produced at Mahenge Liandu. This includes a proposed offtake of 30,000tpa of graphite concentrate for an initial five-year term at a price to be agreed based on the Chinese benchmark for the quality of the graphite produced.

In September 2019, the Company announced an MOU with CoolRU Information Technology, a China based technology company, for high quality graphite products produced at Mahenge Liandu. This includes a proposed offtake of 5,000tpa of graphite concentrate for an initial five-year term at a price to be agreed based on the Chinese benchmark for the quality of the graphite produced

In October 2019, the Company announced an MOU with Datong Resources (“Datong”), China, for high quality graphite products produced at Mahenge Liandu. This includes a proposed offtake of 25,000tpa of graphite concentrate for an initial five-year term at a price to be agreed based on the Chinese benchmark for the quality of the graphite produced

Offtakes under MOU total 60,000 tpa representing over 122% of average target annual production.

Work to progress these MOU to a binding agreement is underway as are discussions with other potential offtake partners.

The graphite market continues to strengthen with several Tanzanian based graphite projects securing binding offtakes and construction financing packages over recent months. The rapid expansion of the electric vehicle market is expected to continue to drive this growth.

**Project Level Financing**

The Company is engaged in discussions to secure a project level funding mandate. Further details in respect of this element will be provided as material developments occur.

**Mining Lease Application**

Reflecting the progress of work to date, the Company expects to submit its application for a mining licence in August 2020.

**Front End Engineering Design**

Following completion of the DFS, the Company commenced some work for the Front-End Engineering Design (‘FEED’) programme. The FEED process is a detailed technical project planning phase undertaken prior to the commencement of construction and used as a basis to secure project construction bids.

**Project Construction**

Subject to a successful and timely completion of the aforementioned preparatory work, suitable project level financing and receipt of relevant regulatory permits and licences, the Company expects to commence the construction phase in Q2 2021.

**Production**

Based on current estimates and assuming a construction phase of 10 months the first production would be achieved from the Mahenge Liandu Project around Q1 2022.

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**Strategic Report (continued)**  
**For the year ended 31 December 2019**

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**PASSIVELY MANAGED INVESTMENTS**

**Mine Restoration Investments Limited ('MRI'), South Africa**

The shares in MRI are being carried at Nil market value (2018: Nil) as MRI shares were suspended from trading on the Johannesburg Stock Exchange. The MRI shares continued to be suspended throughout the year.

**Quoted Portfolio**

The Company has a small portfolio of quoted investments, principally in resource companies where the Directors believe there are opportunities for capital gain. The Company continues to keep its portfolio under review. The Company's strategy with its quoted portfolio is to gain exposure in projects that have the potential to create short to medium term returns for the Company as well as diversify the Company's exposure to a broader range of commodities while being able to enter and exit the position with minimal cost and time.

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**Strategic Report (continued)**  
**For the year ended 31 December 2019**

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**SUSTAINABLE DEVELOPMENT**

The Company is committed to sustainable development and conducting its business ethically. Given that the Company invests in the mining industry, one of Armadale's key focuses is on maintaining a high level of health and safety, environmental responsibility, and support for the communities close to its investments.

**CORPORATE INFORMATION**

**Principal risks and uncertainties**

There are known 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 exposed to graphite. Graphite is a relatively new commodity whose market is being driven by demand in renewable energy. It is thus vulnerable to global energy policies.
- The impact of Brexit on companies operating in the UK is still being monitored. Thus far Brexit has not impacted the Group's ability to raise funds.
- 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 project 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 mining regulation changes in Tanzania are still being evaluated, however they seem to have minimal impact on investment in graphite mining. The Group continues to monitor the implementation of the changes to evaluate and mitigate sovereign risks.
- The impact of COVID-19 pandemic on the project is so far minimal as the Company's site activities were substantially completed in 2019. However, the financial impact on the Company is continuing to be evaluated and strategies implemented to reduce cash outflow.
- The Group is exposed to gold as the holder of a royalty on gold production from its previously held gold project. The Group's potential future royalty stream will be affected by fluctuations in the prevailing market price of gold and to variations of the US dollar in which gold sales will be denominated.

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**Strategic Report (continued)**  
**For the year ended 31 December 2019**

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

- Proactive management to reducing fixed costs.
- Rationalisation of all capital expenditures.
- Maintaining strong relationships with government (employing local staff and partial government ownership), which improves the Group's position as a preferred small mining partner.
- Engagement with local communities to ensure our activities provide value to the communities where we operate.
- Alternative and continued funding activities with a number of options to secure future funding to continue as a going concern.
- To address the financial impact of COVID-19, the Company recently reduced Directors and office holders fees by 50% for an initial period of 3 months from April 2020. This will be reviewed again in June 2020.

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 still 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.

**Section 172 Statement**

*Section 172(1): A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to —*

***Section 172(1) (b) the interests of the company's employees,***

Company's Comment: While the company is largely staffed by contractor employees (rather than direct employees of the Company), the directors consider that continuing active work on the Mahenge Liandu Graphite Project to be in the best interest of such staff to utilise their skills and develop their local communities. The board seeks regular feedback from its key stakeholders (including staff and advisers) to ensure that the corporate culture of the Company remains highly ethical in terms of our Company's values and behaviours.

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**Strategic Report (continued)**  
**For the year ended 31 December 2019**

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***Section 172(1) (c) the need to foster the company's business relationships with suppliers, customers and others,***

Company's Comment: The directors ensure that suppliers are available and meeting commitments and there is good communication with staff as a key requirement for high levels of engagement. This is done by periodic and ad-hoc briefings and discussions.

Reasons to engage shareholders are to meet regulatory requirements and understand shareholder sentiments on the business, its prospects and performance of management.

This is done by regulatory news releases, keeping the investor relations section of the website up to date, annual and half-year reports and presentations and AGM.

***Section 172(1) (d) the impact of the company's operations on the community and the environment,***

Company's Comment: The Company's activities impact communities in the places where we operate and elsewhere. The Company engages communities with employment / business development arrangements within guidelines. Through preparation and compliance with environmental and social management plans, which include the regulatory requirements for the Company on its Mahenge Liandu Graphite Project, the directors ensure that wherever possible its activities have a positive impact on the community and avoid adverse environmental impacts.

The Company has engaged the services of a local contact person in Liandu who provides information to the community about our intended project activities and is responsible for managing local affairs and feedback to the Company. In the year ending 31 December 2019 the Company contributed funds to the local primary school for food and other needs.

***Section 172(1) (e) the desirability of the company maintaining a reputation for high standards of business conduct, and***

Company's Comment: The directors consider standards of business conduct in all dealings of the Company. The members of the board have a collective responsibility and obligation to promote the interests of the Company and are collectively responsible for defining standards of business conduct which includes corporate governance arrangements. The board provides strategic leadership for the Company and operates within the scope of our corporate governance framework and sets the strategic goals for the Company.

***Section 172(1) (f) the need to act fairly as between members of the company.***

Company's Comment: The board takes feedback from a wide range of shareholders (large and small) and endeavours at every opportunity to pro-actively engage with all shareholders (via regular news reporting-RNS) and engage with any specific shareholders in response to particular queries they may have from time to time. The board considers that its key decisions during the year have impacted equally on all members of the Company.

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**Strategic Report (continued)**  
**For the year ended 31 December 2019**

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**Board**

Post period end, in January 2020, Ms Amne Suedi was appointed to the Board as a Non-executive Director.

Ms Suedi is a highly experienced legal professional who specialises in Africa based investment and business law. Ms Suedi is the founder and CEO of Shikana Law Group, a law firm in Kenya, Zanzibar and Tanzania and headquartered in Dar es Salaam, which provides legal and investment advice to foreign investors operating in Africa. Previously Ms Suedi acted as a legal adviser to Pictet Asset Management in Switzerland and the World Trade Organisation.

In April 2020, Mr Matt Bull was appointed to the Board as a Non-executive Director.

Mr. Bull has served as Technical Director of the Company since 2016 and has led the development of the Mahenge Liandu Graphite Project in Tanzania during that time. Mr. Bull is an experienced geologist responsible for managing numerous exploration projects in remote locations in Australia and Sub-Saharan Africa including the running of multi-rig drilling programs with large support teams.

**Financial Results**

For the year ended 31 December 2019 the Group did not earn any revenues as its business related solely to the making of investments in non-revenue producing resource projects and companies.

The Group made a loss after tax of £0.273 million (2018: £0.648 million) for the year ended 31 December 2019.

Expenditure on the Mahenge Liandu project during the year amounted to £593,000, which was capitalised as additional exploration and evaluation assets. The disposal of the Mpokoto project was finalised in January and accumulated foreign exchange gains, arising on annual restatement of the project's net assets, of £240,000 were released to revenue reserves. A strategic investment of £59,000 was made in shares of Forum Energy Metals Corp, a company incorporated in Canada and listed on the Toronto Stock Exchange. By 31 December 2019, the value of this investment had risen to £105,000.

Funds raised during the year amounted in total to £1.3 million of which £0.9 million came from placings of shares and £0.4 million from an issue of convertible loan notes. Other share issues during the year were in respect of loan note conversions and the discharge of certain consultants' invoices. A new loan facility of £0.3 million was put in place but no drawdown was made during the year. Since the year end, a further £0.7 million has been raised from a placing of shares and from warrant and option exercises and £230,000 of the loan notes issued in 2019 have been converted into ordinary shares. The balance of the new loan facility, £0.25 million, remains available for drawdown.

At 31 December 2019, the Group had cash of £96,000 (2018: £44,000) and debt of £867,000 (2018: £677,000).

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**Strategic Report (continued)**  
**For the year ended 31 December 2019**

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**Outlook**

Looking to the future, with its clear development path to production, the Directors believe that Mahenge Liandu represents an exciting opportunity for the Group. As identified in the going concern note to the Directors' Report, the Company's ability to achieve its strategy with respect to the project is dependent on the further fundraising. Furthermore, other notable investment opportunities are under review, which the board believe could replicate this success and deliver significant value to shareholders.

Nicholas Johansen  
Director  
2 June 2020



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**Directors' Report**  
**For the year ended 31 December 2019**

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The Directors submit their report and the financial statements of Armada Capital Plc ('Armada' or the 'Company') for the year ended 31 December 2019.

**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 2019 was £272,548 (2018, £648,020). 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 concluded that no impairment charge is required (2018, £194,401) in the year.

**Corporate governance**

As an AIM company, Armada Capital Plc is required to adopt a recognised Corporate Governance Code and the Company has chosen to apply the Quoted Companies Alliance ("QCA") Corporate Governance Code.

The Company has published its compliance with each of the 10 principles of the QCA Code on the Company's website, including reasons for departure with certain principles.

The website disclosures can be found at: [http://armadacapitalplc.com/corporate\\_governance](http://armadacapitalplc.com/corporate_governance).

**Business review**

A review of the Group's operations and plans for the future of the business are included in the Strategic Report.

**Directors**

The following Directors have held office during the year:

Emmanuel S Mahede

Nicholas Johansen

Paul Johnson (appointed 11 March 2019, resigned 30 November 2019)

Ged Hall (appointed 6 December 2019, resigned 16 April 2020)

**Directors' Report (continued)**  
**For the year ended 31 December 2019**

**Directors' interests**

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

			<b>31 December 2019</b>	<b>31 December 2018</b>
			<b>No:</b>	<b>No:</b>
N Johansen			2,012,122	2,012,122
ES Mahede			2,500,000	1,750,000
P Johnson			-	-
G Hall			-	-

Directors' interests, including family interests, in Warrants to subscribe for Ordinary Shares in the Company were as follows:

			<b>31 December 2019</b>	<b>31 December 2018</b>
			<b>No:</b>	<b>No:</b>
G Hall			453,749	-

Directors also hold options over Ordinary Shares as follows:

			<b>31 December 2019</b>	<b>31 December 2018</b>
			<b>No:</b>	<b>No:</b>
N Johansen			500,000	500,000
ES Mahede			500,000	500,000
P Johnson			5,000,000*	-

\* At date of resignation, 30 November 2019

**Substantial shareholdings**

At 18 May 2020 the Company was aware of the following interests in 3% or more of the issued share capital of the Company:

<b>Name</b>	
Kabunga Holdings Pty Ltd	11.1%
HSDL Nominees	10.5%
Hargreaves Lansdown Nominees	10.2%
Barclays Nominees	7.2%
Matt Bull	6.6%
Interactive Investor Services Nominees	6.3%
Vidacos Nominees	4.2%
Pershing Nominees	3.6%
Directors	7.4%

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**Directors' Report (continued)**  
**For the year ended 31 December 2019**

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**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 and warrants to subscribe for shares**

Shares held under option and warrants to subscribe for shares are detailed in notes 19 and 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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>N Johansen</b>	<b>41</b>	<b>45</b>
<b>ES Mahede</b>	<b>42</b>	<b>55</b>
<b>P Johnson</b>	<b>43</b>	<b>-</b>
<b>G Hall</b>	<b>3</b>	<b>-</b>

The Remuneration of directors is determined by the Board within the limits set out in the Articles of Association of the Company.

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**Directors' Report (continued)**  
**For the year ended 31 December 2019**

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**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 have elected to prepare the group and company 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for 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.

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**Directors' Report (continued)**

**For the year ended 31 December 2019**

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**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 and the Company will continue in operational existence for the foreseeable future.

At 31 December 2019, the Group had cash of £95,641 and convertible loan notes of £866,854 of which £521,865 are due in July 2020 and £400,000 are due in October 2020. In respect of the first tranche of convertible loan notes, the Noteholders have confirmed their willingness to extend the Notes for a further period of 12 months on the same terms, although there are no legally binding extensions in place. In respect of the second tranche of convertible loan notes, since the year end, holders have opted to convert £230,000 of notes, leaving £170,000 outstanding.

In April 2020, the Company raised £550,000 from a placing of shares and a further £150,000 has been received as a result of warrant and option exercises.

Since the end of the year, the Company has continued its appraisal operations at its Mahenge Liandu graphite project and, on 31 March 2020, announced the encouraging findings of the Definitive Feasibility Study.

At 1 June 2020, the Company had cash of approximately £434,000, an available loan facility of £250,000 and listed investments with a traded value of approximately £100,000. The directors have prepared a cash flow forecast for the next twelve months which shows that if the noteholders either extended or convert their loans to the company then the cash in hand is sufficient to meet current commitments in respect of exploration expenditure and corporate overheads until at least September 2020, after which further fundraising will be required.

The Company's ability to continue as a going concern and to achieve its long term strategy of developing its exploration projects is dependent on the extension and/or conversion of the loan notes and further fundraising. As described above, the Directors expect to be able to convert or extend the existing loan notes, and against the background of the encouraging initial results from the Mahenge Liandu graphite project and the Company's history of raising funds through the issue of equity, the directors also consider that there is a reasonable expectation that the required capital will be raised. However, there are currently no binding agreements in place. Furthermore, the climate for fundraising has been adversely affected by the COVID 19 pandemic; with financial markets in turmoil, one must assume that investors will be less willing to support projects perceived to be of higher risk. Should the Directors be unable to raise sufficient funds and extend or convert the loan notes, the Company 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 over the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or Company were unable to continue as a going concern.

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**Directors' Report (continued)**

**For the year ended 31 December 2019**

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**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 Strategic Report.

**Events after the balance sheet date**

The following events have taken place after the year end:

On 11 March 2020, the Company drew down £50,000 of the loan facility described in note 16.

On 30 April 2020, the Company raised £550,000 via a private subscription with certain existing shareholders. 24,444,444 new ordinary shares at 2.25p per share were issued and the same number of warrants to subscribe for new ordinary shares at 3.25p per share, expiring two years from the date of issue, were issued alongside the subscription.

Since the year end, a total of 5,923,186 warrants to subscribe for ordinary shares at 2.2p per share have been exercised, providing proceeds of £130,000, 1,000,000 options to subscribe for ordinary shares at a price of 2p per share have been exercised providing proceeds of £20,000 and £230,000 nominal of the loan notes issued in 2019 have been converted into ordinary share at a price of 3p per share.

**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

**Timothy Jones**

**Secretary**

2 June 2020

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**Independent Auditor's Report to the Shareholders of Armadale Capital Plc**  
**For the year ended 31 December 2019**

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**Independent auditor's report to the shareholders of Armadale Capital Plc**

**Opinion**

We have audited the financial statements of Armadale Capital Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Material uncertainty related to going concern**

We draw attention note 2.2 to the financial statements which explains that the Parent Company's and the Group's ability to continue as a going concern is dependent on the extension or conversion of existing loan notes and further fundraising, which may be adversely affected by the COVID 19 pandemic. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Parent Company's and the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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**Independent Auditor's Report to the Shareholders of Armadale Capital Plc (continued)**  
**For the year ended 31 December 2019**

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We considered going concern to be a Key Audit Matter based on our assessment of the risk and the effect on our audit. We performed the following work in response to this key audit matter:

- We reviewed the Directors' forecasts to assess the Parent Company's and Group's ability to meet their financial obligations as they fall due within the period of twelve months from the date of approval of the financial statements
- We reviewed the assumptions and inputs in the cash flow forecast to assess whether these were in line with our understanding of the company's operations and other information obtained by us during the course of the audit
- We assessed whether the forecast overhead expenditure was consistent with budgets and prior year actual expenditure. We performed a mechanical check on the cash flow forecast model prepared by management
- We confirmed committed spend by agreeing to licence agreements and we agreed the cash position to recent bank statements
- We challenged the Directors' expectation that sufficient funds may be secured by reviewing the potential funding options available to the Company and considering the past success the Company has had in raising equity and debt finance.
- In respect of COVID-19, we have reviewed management's assessment of the likely impact of the pandemic on cash flows, as well as the ability of the Group to raise further finance.
- We reviewed the disclosure included within the financial statements.

**Key audit matters**

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

**Carrying value of exploration assets**

As detailed in note 11, the exploration and evaluation assets of the group represent the key assets on the group's statement of financial position.

Management performed an impairment indicator review to assess whether there were any indicators of impairment for the Mahenge Liandu exploration asset and whether an impairment test was required to be performed. No indicators of impairment of the asset were identified.

There are a large number of estimates and judgements used by management in assessing the Exploration and Evaluation assets for indicators of impairment under accounting standards. These estimates and judgements are set out in Note 2.13 and 3 to the financial statements and the subjectivity of these estimates along with the material carrying value of the assets make this a key audit area.



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**Independent Auditor's Report to the Shareholders of Armada Capital Plc (continued)**  
**For the year ended 31 December 2019**

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**How we addressed the matter:**

We considered the indicators of impairment applicable to the Mahenge Liandu exploration asset, including those indicators identified in IFRS 6: 'Exploration for and Evaluation of Mineral Resources' and reviewed management's assessment of these indicators. The following work was undertaken:

- We reviewed the licence documentation to confirm the exploration permits are valid, and whether there is an expectation that these will be renewed in the ordinary course of business.
- We made specific inquiries of management and reviewed market announcements, budgets and plans which confirmed the plan to continue investment in the Mahenge Liandu project subject to sufficient funding being available, as disclosed in note 2.
- We considered whether the detailed feasibility study suggested any indicators of impairment for the project.
- We have reviewed the adequacy of disclosures provided within the financial statements in relation to the impairment assessment against the requirements of the accounting standards.

**Key observations:**

Based on our work we concur with management's conclusion that no impairment was required and consider the disclosures included in the financial statements to be appropriate.

**Valuation and accounting treatment of the convertible loan notes**

As disclosed in note 16, the group issued £400,000 of convertible loan notes as part of the fundraising activities during the year.

As disclosed in note 2.16 and 3, management has used key judgments and estimates in valuing the derivative element of the convertible loan notes including valuation techniques such as the Black Scholes Model. The instrument gives the noteholder the option to convert the debt into equity prior to maturity, and therefore in order to determine the value of the conversion option, management are required to use judgement to assess the expected probability of noteholders converting before maturity.

Given the judgement used in calculating these estimates and the material value of the derivative, we have considered this to be a key audit area.

**How we addressed the key audit matter in the audit:**

We assessed management's accounting treatment and valuation of the convertible loan notes and our procedures included the following:

- We reviewed the conditions of the convertible loan notes in the agreement, and determined whether the accounting treatment of the convertible loan is in accordance with IFRS 9
- Reperformed the Black Scholes valuation of the option
- Checked management's inputs to the Black Scholes valuation were appropriate and agreed the inputs to supporting evidence
- We Performed sensitivity analysis on the valuation of the derivative, including sensitising management's assessment of the likelihood of noteholders converting before the maturity date
- We reperformed the amortisation calculation for the debt
- We reviewed the adequacy of the disclosures in the financial statements against the requirements of the accounting standard

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**Independent Auditor's Report to the Shareholders of Armadale Capital Plc (continued)**  
**For the year ended 31 December 2019**

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**Key observations:**

Based on our work performed we found managements valuation and accounting treatment of the convertible loan note to be appropriate, and the disclosures in the financial statements adequately reflected the key estimates and judgments used in this assessment.

**Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as whole.

Group materiality was based on 1.5% of total assets and was set at £60,000 (2018 - £49,000). Parent Company materiality was based on 80% of group materiality, and set at £48,000 (2018 £40,000).

We consider total assets to be the financial metric of the most interest to shareholders and other users of the financial statements, given the Group's status as an exploration entity in natural resources development and therefore consider this to be an appropriate basis for materiality.

The group audit focused on the Group's two significant components which were audited to a lower level of materiality, being 80% of group materiality.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Group performance materiality was set at £45,000 (2018: £37,000) with company performance materiality set at £36,000 (2018: £30,000). Performance materiality represents 75% (2018: 75%) of the above materiality levels, at the higher end of the threshold due to the low risk of aggregation of misstatements within the group.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £1,000 (2018: £1,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

**An overview of the scope of our audit**

BDO LLP was responsible for the audit of all components of the group including the group consolidation and performed a full scope audit on the two significant components of the group, and the parent company. All non-significant components were subject to analytical procedures.

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**Independent Auditor's Report to the Shareholders of Armadale Capital Plc (continued)**  
**For the year ended 31 December 2019**

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**Other information**

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

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

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

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

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**Independent Auditor's Report to the Shareholders of Armada Capital Plc (continued)**  
**For the year ended 31 December 2019**

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**Responsibilities of Directors**

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

**Use of our report**

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

Jack Draycott (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

2 June 2020

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

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2019**

	Note	2019	2018
		£	£
Administrative expenses		(468,948)	(392,945)
Share based payment charges		(22,550)	-
Change in fair value of derivative		(45,467)	-
Change in fair value of investments		46,145	
<b>Operating loss</b>		<b>(490,820)</b>	<b>(392,945)</b>
Finance costs		(21,241)	(17,459)
<b>Loss before taxation</b>	6	<b>(512,061)</b>	<b>(410,404)</b>
Taxation	9	-	-
<b>Loss for the year from continuing operations</b>		<b>(512,061)</b>	<b>(410,404)</b>
Profit/(Loss) from discontinued operations, net of tax	14	239,513	(237,616)
<b>Loss after taxation</b>		<b>(272,548)</b>	<b>(648,020)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Reclassification of foreign exchange gain		(239,513)	
Exchange differences on translating foreign entities		(93,571)	83,407
<b>Total comprehensive (loss) / income attributable to the equity holders of the parent company</b>		<b>(605,632)</b>	<b>(564,613)</b>
<b>Loss per share attributable to the equity holders of the parent company</b>		Pence	Pence
<i>Basic and diluted total loss per share</i>	10	(0.07)	(0.23)
<i>Basic and diluted loss per share from continuing operations</i>	10	(0.14)	(0.14)

The notes on pages 36 to 64 form part of the financial statements.

**Consolidated Statement of Financial Position**  
**At 31 December 2019**

	<b>Note</b>	<b>2019 £</b>	<b>2018 £</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	11	3,705,210	3,192,999
Investments	12	105,755	973
		3,810,965	3,193,972
<b>Current assets</b>			
Trade and other receivables	13	159,495	53,486
Cash and cash equivalents		95,641	44,310
		255,136	97,796
Non-current assets classified as held for sale	14	-	128,011
		255,136	225,807
<b>Total assets</b>		<b>4,066,101</b>	<b>3,419,779</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	18	3,139,135	3,038,605
Share premium	21	21,037,478	20,569,844
Shares to be issued	21	286,000	286,000
Share option and warrant reserve	21	661,676	94,884
Foreign exchange reserve	21	88,168	421,252
Retained earnings	21	(22,400,310)	(22,129,940)
<b>Total equity</b>		<b>2,812,147</b>	<b>2,280,645</b>
<b>Current liabilities</b>			
Trade and other payables	15	267,566	333,653
Loans	16	866,854	677,470
Derivative liability	17	119,534	-
		1,253,954	1,011,123
Liabilities directly associated with non-current assets classified as held for sale	14	-	128,011
<b>Total Liabilities</b>		<b>1,253,954</b>	<b>1,139,134</b>
<b>Total equity and liabilities</b>		<b>4,066,101</b>	<b>3,419,779</b>

The notes on page 36 to 64 form part of the financial statements.

Approved by the Board and authorised for issue on 2 June 2020

Signed on behalf of the Board

**ES Mahede**  
**Director**

**N Johansen**  
**Director**

**Company Statement of Financial Position**  
**At 31 December 2019**

	Note	2019 £	2018 £
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	12	1,705,755	1,600,973
Other receivables	13	2,078,657	1,394,461
		3,784,412	2,995,434
<b>Current assets</b>			
Trade and other receivables	13	77,097	13,439
Cash and cash equivalents		88,466	4,240
		165,563	17,679
<b>Total assets</b>		<b>3,949,975</b>	<b>3,013,113</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	18	3,139,135	3,038,605
Share premium	21	21,037,478	20,569,844
Shares to be issued	21	286,000	286,000
Share option and warrant reserve	21	661,676	94,884
Retained earnings	21	(22,245,747)	(21,753,522)
<b>Total equity</b>		<b>2,878,542</b>	<b>2,235,811</b>
<b>Current liabilities</b>			
Trade and other payables	15	85,045	99,832
Loans	16	866,854	677,470
Derivative liability	17	119,534	
<b>Total liabilities</b>		<b>1,071,433</b>	<b>777,302</b>
<b>Total equity and liabilities</b>		<b>3,949,975</b>	<b>3,013,113</b>

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 £494,403 (2018: £605,270) has been included in the financial statements of the parent company.

The notes on pages 36 to 64 form part of the financial statements.

Approved by the Board and authorised for issue on 2 June 2020

Signed on behalf of the Board

**ES Mahede**  
Director

**N Johansen**  
Director

**Company Registration No. 5541602**

**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2019**

	Share Capital	Share Premium	Shares to be issued	Share Option and Warrant Reserve	Foreign Exchange Reserve	Retained Earnings	Total
	£	£	£	£	£	£	£
<b>At 1 January 2018</b>	<b>2,980,211</b>	<b>19,720,193</b>	<b>286,000</b>	<b>94,884</b>	<b>337,845</b>	<b>(21,481,920)</b>	<b>1,937,213</b>
Loss for the year	-	-	-	-	-	(648,020)	(648,020)
Other comprehensive loss	-	-	-	-	83,407		83,407
Total comprehensive loss for the year	-	-	-	-	83,407	(648,020)	(564,613)
Issue of shares	58,394	905,106	-	-	-	-	963,500
Expenses of issue	-	(55,455)	-	-	-	-	(55,455)
<b>Total other movements</b>	<b>58,394</b>	<b>849,651</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>908,045</b>
<b>At 31 December 2018</b>	<b>3,038,605</b>	<b>20,569,844</b>	<b>286,000</b>	<b>94,884</b>	<b>421,252</b>	<b>(22,129,940)</b>	<b>2,280,645</b>
Loss for the year	-	-	-	-	-	(272,548)	(272,548)
Other comprehensive loss	-	-	-	-	(333,030)		(333,030)
Total comprehensive loss for the year	-	-	-	-	(333,030)	(272,548)	(605,578)
Issue of shares and warrants	100,530	658,308	-	546,420	-	-	1,305,258
Expenses of issue		(190,674)					(190,674)
Transfer on exercise of warrants	-	-	-	(2,178)	-	2,178	-
Share based payment charges	-	-	-	22,550	-	-	22,550
Total other movements	100,530	467,634	-	566,792	-	2,178	1,137,134
<b>At 31 December 2019</b>	<b>3,139,135</b>	<b>21,037,478</b>	<b>286,000</b>	<b>661,676</b>	<b>88,168</b>	<b>(22,400,310)</b>	<b>2,812,147</b>

The notes on pages 36 to 64 form part of the financial statements.

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	share capital to be issued in connection with historical acquisition
Share option and warrant reserve	cumulative charge recognised under IFRS 2 in respect of share-based payment awards
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 2019**

	Share Capital	Share Premium	Shares to be issued	Share Option and Warrant Reserve	Retained Earnings	Total
	£	£	£	£	£	£
<b>At 31 December 2017</b>	<b>2,980,211</b>	<b>19,720,193</b>	<b>286,000</b>	<b>94,884</b>	<b>(20,953,744)</b>	<b>2,127,5446</b>
IFRS9 adjustment to intercompany debt	-	-	-	-	(194,508)	(194,508)
<b>At 1 January 2018</b>	<b>2,980,211</b>	<b>19,720,193</b>	<b>286,000</b>	<b>94,884</b>	<b>(21,148,252)</b>	<b>1,933,036</b>
Loss for the year					(605,270)	(605,270)
Total comprehensive loss for the year					(605,270)	(605,270)
Issue of shares	58,394	905,106	-	-	-	963,500
Expenses of issue	-	(55,455)	-	-	-	(55,455)
Share based payment charges	-	-	-	-	-	-
Transfer on conversion of loan notes	-	-	-	-	-	-
<b>Total other movements</b>	<b>58,394</b>	<b>849,651</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>908,045</b>
<b>At 31 December 2018</b>	<b>3,038,605</b>	<b>20,569,844</b>	<b>286,000</b>	<b>94,884</b>	<b>(21,753,522)</b>	<b>2,235,811</b>
Loss for the year	-	-	-	-	(494,403)	(494,403)
Total comprehensive loss for the year	-	-	-	-	(494,403)	(494,403)
Issue of shares and warrants	100,530	658,308	-	546,420	-	1,305,258
Expenses of share issue	-	(190,674)	-	-	-	(190,674)
Transfer on exercise of warrants	-	-	-	(2,178)	2,178	-
Share based payment charges	-	-	-	22,550	-	22,550
Total other movements	100,530	467,634	-	566,792	2,178	1,137,134
<b>At 31 December 2019</b>	<b>3,139,135</b>	<b>21,037,478</b>	<b>286,000</b>	<b>661,676</b>	<b>(22,245,747)</b>	<b>2,878,542</b>

The notes on pages 36 to 64 form part of the financial statements.

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	share capital to be issued in connection with historical acquisition
Share option and warrant reserve	cumulative charge recognised under IFRS 2 in respect of share-based payment awards
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 2019**

		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>			
Loss before taxation		(272,548)	(648,020)
Adjustment for:			
Release of exchange gains on overseas operation		(239,513)	-
Impairment charge		-	194,401
Share based payment charge		22,550	-
Change in fair value of derivative		45,467	-
Change in fair value of investments		(46,145)	
Finance costs		21,241	17,459
		(468,948)	(436,160)
<b>Changes in working capital</b>			
Receivables		(44,103)	1,077
Payables		(14,868)	98,048
<b>Net cash used in operating activities</b>		<b>(527,919)</b>	<b>(337,035)</b>
<b>Cash flows from investing activities</b>			
Expenditure on exploration and evaluation assets		(479,238)	(224,095)
Purchase of listed investments		(58,637)	-
Sale of listed investments		-	5,732
<b>Net cash used in investing activities</b>		<b>(537,875)</b>	<b>(218,363)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share placement		968,696	560,000
Issue costs		(46,500)	(25,455)
Issue of loan notes		400,000	-
Loan repayment		(235,071)	-
Proceeds from loan (Note 16)		30,000	-
<b>Net cash from financing activities</b>		<b>1,117,125</b>	<b>534,545</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>51,331</b>	<b>(20,853)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>44,310</b>	<b>65,163</b>
<b>Cash and cash equivalents at 31 December</b>		<b>95,641</b>	<b>44,310</b>

The notes on pages 36 to 64 form part of the financial statements.

**Company Statement of Cash Flows**  
**For the year ended 31 December 2019**

		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>			
Loss before taxation		(494,403)	(605,270)
Adjustment for:			
Share based payment charge		22,550	-
Impairment charge		168,920	404,808
Change in fair value of derivative		45,467	-
Change in fair value of investments		(46,145)	
Finance costs		21,241	12,708
		(282,370)	(187,754))
<b>Changes in working capital</b>			
Receivables		(63,658)	30,311
Payables		9,663	33,203
<b>Net cash used in operating activities</b>		<b>(336,365)</b>	<b>(124,240)</b>
<b>Cash flows from investing activities</b>			
Advances to subsidiaries		(637,897)	(422,606)
Purchase of listed investments		(58,637)	-
Sale of listed investments		-	5,732
<b>Net cash used in investing activities</b>		<b>(696,534)</b>	<b>(416,874)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share placement		968,696	560,000
Issue costs		(46,500)	(25,455)
Issue of loan notes		400,000	-
Loan repayment		(235,071)	-
Proceeds from loan (Note 16)		30,000	-
<b>Net cash from financing activities</b>		<b>1,117,125</b>	<b>534,545</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>84,226</b>	<b>(6,569)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>4,240</b>	<b>10,809</b>
<b>Cash and cash equivalents at 31 December</b>		<b>88,466</b>	<b>4,240</b>

The notes on pages 36 to 64 form part of the financial statements.

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**Notes to the financial statements**  
**For the year ended 31 December 2019**

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**1. 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 1 Arbrook Lane, Esher, Surrey, KT10 9EG. 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 and the Company will continue in operational existence for the foreseeable future.

At 31 December 2019, the Group had cash of £95,641 and convertible loan notes of £866,854 of which £521,865 are due in July 2020 and £400,000 are due in October 2020. In respect of the first tranche of convertible loan notes, the Noteholders have confirmed their willingness to extend the Notes for a further period of 12 months on the same terms, although there are no legally binding extensions in place. In respect of the second tranche of convertible loan notes, since the year end, holders have opted to convert £230,000 of notes, leaving £170,000 outstanding.

In April 2020, the Company raised £550,000 from a placing of shares and a further £150,000 has been received as a result of warrant and option exercises.

Since the end of the year, the Company has continued its appraisal operations at its Mahenge Liandu graphite project and, on 31 March 2020, announced the encouraging findings of the Definitive Feasibility Study.

At 1 June 2020, the Company had cash of approximately £434,000, an available loan facility of £250,000 and listed investments with a traded value of approximately £100,000. The directors have prepared a cash flow forecast for the next twelve months which shows that if the noteholders either extended or convert their loans to the company then the cash in hand is sufficient to meet current commitments in respect of exploration expenditure and corporate overheads until at least September 2020, after which further fundraising will be required.

The Company's ability to continue as a going concern and to achieve its long term strategy of developing its exploration projects is dependent on the extension and/or conversion of the loan notes and further fundraising. As described above, the Directors expect to be able to convert or extend the existing loan notes, and against the background of the encouraging initial results from

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**2. Accounting policies (continued)**

**2.2. Going Concern (continued)**

the Mahenge Liandu graphite project and the Company's history of raising funds through the issue of equity, the directors also consider that there is a reasonable expectation that the required capital will be raised. However, there are currently no binding agreements in place. Furthermore, the climate for fundraising has been adversely affected by the COVID 19 pandemic; with financial markets in turmoil, one must assume that investors will be less willing to support projects perceived to be of higher risk. Should the Directors be unable to raise sufficient funds and extend or convert the loan notes, the Company 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 over the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or Company were 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.

**2.4. Acquisitions of exploration licences**

The acquisition of the Group's exploration projects were principally the acquisition of mining licences effected through non-operating corporate structures. As the structures do not represent businesses, it is considered that the transactions do not meet the definition of business combinations. Accordingly each transaction is accounted for as the acquisition of an asset. When future consideration for shares is contingent, the fair value of the contingent shares at the acquisition date is recognised as part of the cost of the asset. The probability of the contingent events being satisfied is included in the calculation of the fair value of the contingent shares. The fair value of the contingent shares is also recognised in equity as at the acquisition date and is not subsequently revalued.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**2. Accounting policies (continued)**

**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. On disposal of foreign subsidiaries, accumulated exchange movements arising in the revaluation of overseas assets and liabilities are released from foreign exchange reserve to the profit and loss account.

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.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**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.

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. Warrants**

Warrants issued as part of financing transactions in which the holder receives a fixed number of shares on exercise of the warrant are fair valued at the date of grant and recorded within the warrant reserve. Fair value is measured by the use of the Black Scholes model. On expiry or exercise, the fair value of warrants is credited to reserves as a change in equity.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**2. Accounting policies (continued)****2.9. 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.

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.



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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**2. Accounting policies (continued)**

**2.10. 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 to the statement of comprehensive income in the period the impairment is identified. 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.

**2.11. Investments**

Investments in subsidiary companies and joint ventures are stated at cost less any provision for impairment, which is recognised as an expense in the statement of comprehensive income in the period the impairment is identified.

All other investments are measured at fair value with changes recognised in the statement of comprehensive income.

**2.12. Plant, equipment and vehicles**

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

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 exploration and development of mineral deposits is capitalised until the deposit is brought into production.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**2. Accounting policies (continued)****2.13. 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 profit or loss, 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 profit or loss.

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 profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is recognised in other comprehensive income.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**2. Accounting policies (continued)**

**2.14. Non-current assets held for sale and disposal groups**

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- An active programme to locate a buyer has been initiated
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value, and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

**2.15. Financial assets**

Loans and receivables are recognised 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. Loans and receivables are assessed at each reporting date to determine a loss allowance under the expected credit loss model.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**2. Accounting policies (continued)**

2.16. 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 financial liability. Under IFRS 9, where there is a non-substantial modification of financial liabilities an immediate gain or loss on modification is recognised in the profit and loss account. This gain or loss is equal to the difference between the present value of cash flows under the original and modified terms discounted at the original effective interest rate.

Financial liabilities represent trade payables and borrowings.

Convertible loan notes

As detailed in note 16, the loan notes issued in 2016 are classified as a compound financial instrument in accordance with the requirements of IFRS 9. The debt element is calculated as the present value of future cash flows assuming the loan notes are redeemed at the redemption date, discounted at the market rate for an equivalent debt instrument with no option to convert to equity. The difference between the total proceeds and the present value of the debt element is recognised in equity. The discount is charged over the life of the loan notes to the statement of

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**2. Accounting policies (continued)**

**2.16. Financial liabilities and equity instruments issued by the Group (continued)**

comprehensive income and included within finance expenses. When conversion occurs the associated equity element is released direct to retained earnings.

As detailed in notes 16 and 17, the conversion option in the loan notes issued in 2019 is classified as a derivative instrument because the holders have alternative conversion options. The derivative element is fair valued at inception and reported separately in current liabilities. Its fair value is then redetermined at each balance sheet date and the gain or loss on revaluation taken to profit and loss account. The amount transferred to derivative at inception is charged over the life of the loan note to the statement of comprehensive income and included within finance expenses. When conversion occurs, the derivative and liability element are transferred to equity.

**2.17. New Accounting Standards adopted**

IFRS 16 introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on- balance sheet model. Under the new standard, a lessee is required to recognise right-of-use assets and liabilities on the balance sheet; and the subsequent amortisation of the right-of-use asset over the lease of the term.

The Group adopted IFRS 16 on 1 January 2019. The adoption of the standard does not have a material effect on the Group's financial statements as the Group does not hold any leases either at the date of sign off of these financial statements or during any of the periods presented.

Changes in accounting standards:

The International Accounting Standards Board (IASB) has issued the following new and revised standards, amendments and interpretations to existing standards that are not effective for the financial year ending 31 December 2019 and have not been adopted early. The Group is currently assessing the impact of these standards and, based on the Group's current operations, does not expect them to have a material impact on the financial statements.

**Amendments to Existing Standards**

IAS I Definition of material

01-Jan-21

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**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 value of the Group's exploration assets.

The principal significant estimates and judgements are:

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, as explained more fully in note 2.2.

Exploration and evaluation assets

These represent the accumulated costs, including capitalised finance costs, (calculated as that proportion of total finance costs that relates to the funding of exploration activity) and the allocation of wages and salaries to the Group exploration projects. Their commercial realisation is dependent upon the successful economic development of the graphite deposits and should the development not be achieved, an impairment of these assets would arise. At the year end, the directors were of the opinion that there were no indicators of impairment in respect of the Mahenge project.

Impairment of investment in and debts owing by subsidiaries

Investments in subsidiaries represent the accumulated costs that the parent Company has invested in its subsidiaries to fund the mineral projects. The recovery of these investments is dependent upon the successful economic development of the graphite deposits and should the development not be achieved, an impairment of these investments would arise. Management has assessed the intercompany loans in line with IFRS 9 with the calculation of expected credit losses considered a key judgment. The assessment of the expected credit losses is included in Note 13 along with the key assumptions and estimates.

Convertible loan notes

The company has issued convertible loan notes, the terms of which provide the holders with alternative bases of conversion. The directors are required to value the derivative element of the loan notes which requires them to make judgements on the relative likelihood that each basis of conversion will apply and then to assess the variable inputs for the Black-Scholes model that is used to perform the valuation.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**4. Financial Risk Management**

**Policy**

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

**Financial risk factors**

The risk in relation to financial assets is considered to be minimal and 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 Company has receivables from its subsidiaries as disclosed in note 13. The recovery of these receivables is dependent on whether the mining projects are successful and they are not expected to be recovered in the short term. 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.

The Group's loan notes as described in note 16, stated at their gross, contractual and undiscounted amount of £472,399 were issued on 11 July 2016 with a conversion/payment date of 11 July 2017 when issued, now extended to 11 July 2021.

**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 relevant company'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 loans are denominated in GBP as disclosed in note 16.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**4. Financial Risk Management (continued)**

**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 assets is principally exposed to two commodities, gold and graphite. The value of the projects is vulnerable to fluctuations in the prevailing market price of these commodities.

**Other Market Price Risk**

The Group holds some strategic equity investments in other companies as shown in note 12. The Group and Company believe that exposure to market price risk from this activity is acceptable.

**Credit Risk**

The group's credit risk is primarily attributable to its cash balances. This risk is considered limited because the group cash is held by reputable institutions. The groups total credit risk amounts to the total of the sum of receivables and cash. At the year-end this amount was £255,136 (2018 - £97,796).

The parent company financial statements include amounts due from subsidiaries as disclosed in Note 13. The credit risk associated with these receivables has been disclosed as a key estimate and judgement and discussed in Note 3.

**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 (excluding investments in subsidiaries at the Company level) 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. Current asset investments are measured at fair value and are categorised as Level 2. There were no transfers between Level 1 and Level 2 for the year.



**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**4. Financial Risk Management (continued)**

**Financial Instruments by Category**

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables, borrowings, trade payables and accruals, loan term borrowings and convertible loan notes. Financial instruments are initially recognised at fair value with subsequent measurement depending on classification. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

The Group's and Company's financial instruments are all subsequently recognised at amortised cost, save for listed investments and derivative liabilities which are recognised at fair value.

**5. Segmental Information**

Costs incurred in developing the Group's exploration projects are capitalised in full, accordingly, the expenses reported in the Consolidated Statement of Comprehensive Income solely represent central Group overheads and impairments.

In terms of assets and liabilities, the only material items are the exploration and evaluation assets relating to the Group's project in Tanzania amounting to £3,705,210 (2018, £3,192,999).

**6. Loss before tax**

This is stated after charging:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Directors' emoluments - fees	128,704	100,000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Group and Company financial statements	32,000	32,000
Fees payable to the Company's auditors for taxation compliance services	3,850	4,000
Share based payment charge	22,550	-
Change in fair value of derivative	45,467	-
Impairment of exploration and evaluation assets	-	194,409
and after crediting:		
Release of exchange gains on overseas operation*	239,513	-
Change in fair value of investments	46,145	

\* The Company's interest in the Mpokoto gold project was sold on 11 January 2019, at which point the accumulated net foreign exchange gains arising on historical revaluations of the investment were released to income from the foreign exchange reserve

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**7. Employees**

	<b>2019</b>	<b>2018</b>
The average monthly number of persons (including Directors) employed by the Group and the Company during the year was:		
Management	4	3
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Group		
Wages and salaries (including directors)	140,704	112,000
Company		
Wages and salaries (including directors)	140,704	112,000

The exploration and evaluation work on the Group's projects is undertaken by third party consultants.

**8. Remuneration of Directors of the Company**

Aggregate emoluments	128,704	100,000

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

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**9. Taxation**

		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Continuing operations</b>			
<b>Current Tax</b>			
Current tax on loss for the year		-	-
		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Continuing operations</b>			
Factors affecting the tax charge for the year			
Loss on ordinary activities before taxation		(272,548)	(648,020)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2018: 19%)		(51,784)	(123,124)
<b>Effects of :</b>			
Temporary difference carried forward not recognised as a deferred tax asset		-	46,050
Expenses disallowed		12,924	
Gains not taxable		(54,275)	-
Losses carried forward not recognised as a deferred tax asset		93,135	77,074
UK Corporation tax		-	-

A deferred tax asset of approximately £1,589,000 (2018: £1,496,000) has not been recognised owing to the uncertainty over the timing of future recoverability. The group has total carried forward losses of £8,363,000 (2018: £7,874,000).

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**10. Loss per share**

The calculation of total loss per share is based on a loss of £272,548 (2018: £648,020), and on 371,915,241 ordinary shares (2018: 287,195,618), being the weighted average number of shares in issue during the year.

There is no difference between basic loss per share and diluted loss per share as the potential ordinary shares are anti-dilutive.

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

**11. Exploration and evaluation assets**

Group	2019	2018
	£	£
<b>Cost</b>		
At 1 January	3,192,999	2,384,036
Exchange movements	(80,859)	35,707
Additions	593,070	773,256
At 31 December	3,705,210	3,192,999

Included in additions are capitalised finance costs of £59,245 (2018: £47,793).

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

**12. Investments**

Non-current asset investments - Group	
	Listed investments
<b>Fair value</b>	£
At 1 January 2018	6,705
Disposals	(5,732)
At 31 December 2018	973
Additions	58,637
Increase in fair value	46,145
At 31 December 2019	105,755

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**12. Investments (continued)**

<b>Non-current asset investments - Company</b>			
	<b>Subsidiaries (at cost)</b>	<b>Listed Investments (at fair value)</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2018	1,600,000	6,705	1,606,705
Disposals	-	(5,732)	(5,732)
At 31 December 2018	1,600,000	973	1,600,973
Additions	-	58,637	58,637
Increase in fair value		46,145	46,145
At 31 December 2019	<u>1,600,000</u>	<u>105,755</u>	<u>1,705,755</u>

The listed investment acquired during the year comprises 2 million common shares of Forum Energy Metals Corp, incorporated in Canada and listed on the Toronto Stock Exchange.

The subsidiary companies are:

<b>Name and nature of business</b>	<b>Registered Office</b>	<b>Class of shares</b>	<b>% held</b>
Graphite Advancements Pty (intermediate holding company)	216 St Georges Terrace, Perth, WA 6000, Australia	Ordinary	100
Graphite Advancements (Tanzania) Limited* (mining project operator)	PO Box 105589, Dar es Salaam, Tanzania	Ordinary	100
Water Utilities Limited (in process of dissolution)	171 Main Street, Road Town, British Virgin Islands	Ordinary	100

\*Held through Graphite Advancements Pty Ltd

Under the terms of acquisition of Netcom Global Inc, a former subsidiary company, further ordinary shares in the company are potentially to be issued to the vendors as follows:

- up to 160 million (now 1.07 million\*) Shares to be issued upon the completion of two key milestones (the “Milestone Shares”):
- 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.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**12. Investments (continued)**

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

The conditions applying to the Milestone Shares have not yet been fulfilled. Despite the subsequent disposal of Netcom Global Inc., the Company has retained the obligation to issue the Milestone Shares should the conditions be fulfilled.

\*refer to note 18 for more details on share consolidation and restructure

**13. Trade and other receivables**

Group		2019	2018
		£	£
Other debtors and prepayments		159,495	53,486
Total current receivables		159,495	53,486
<b>Company</b>			
Amounts owed by group undertakings		2,596,192	4,879,156
Provision for impairment		(517,535)	(3,484,695)
		2,078,657	1,394,461
Other receivables		77,097	13,439
Total current receivables		77,097	13,439

**Mpokoto Gold Project**

The provision was required to provide in full against amounts due from subsidiaries associated with the Mpokoto gold project. In view of the impairment in the value of the project these amounts were considered to be wholly irrecoverable and have been written off in the current year.

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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

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**13. Trade and other receivables (continued)**

**Mahenge Liandu Graphite Project**

The loss allowance on the intercompany loan is a result of the application of the expected credit loss model under IFRS 9. The loan to the subsidiary company is repayable on demand. As the subsidiary does not have sufficient current assets to repay the loan, the loan will be classified as stage 3 of the expected credit loss model. In the current year £168,920 has been recognised under the expected credit loss model resulting in an accumulated provision of £517,535.

As part of assessing the intercompany loan receivable, the Directors have considered the exploration project risks provided in the competent persons report along with the cash flow scenarios for the repayment of the loan. Notwithstanding the requirements of IFRS 9 in respect to the assessment of the intercompany loan, the directors have identified no indicators of impairment in the Group accounts and the project is highly prospective with significant upside potential.

**14. Disposal group classified as held for sale**

In 2018 the board entered into non-binding heads of agreement to sell its interest in the Mpokoto gold project for potential consideration of US\$562,500 cash plus future royalty provisions.

Comparison of the carrying value of the assets relating to the project with the potential selling price indicated that an impairment in the value of those assets had occurred and, accordingly, an impairment was recognised by reference to the potential selling price taking account only of those elements of the selling price that would be receivable regardless of the future outcome of the project, on the grounds that the future outcome was uncertain such that the value of the contingent consideration was estimated at nil.

That sale did not proceed and, on 11 January 2019, the board announced that it had reached formal agreement with African Royalty Company Pty Limited ("African Royalty") to sell these interests. Arrow Mining Pty Limited, a related company to African Royalty would take over the operations on the Mpokoto Project for potential consideration of 1.5% royalty on gold sales achieved once in production. Consistent application of the valuation principles indicated that further impairment had occurred and a further amount was accordingly provided in 2018.

The sale to the African Royalty was duly completed. No further loss was realised as the assets were already fully impaired. Following completion, accumulated net foreign exchange gains of £239,515 arising on historical revaluation of the investment were released to income from the foreign exchange reserve.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**14. Disposal group classified as held for sale (continued)**

The resulting assets and liabilities are as follows:

		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Assets held for sale</b>			
Exploration and evaluation assets		-	128,011
<b>Liabilities held for sale</b>			
Provision		-	128,011

In the statement of comprehensive income the following profit/(loss) has been recognised:

		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Profit/(Loss) from discontinued operations</b>			
Release of exchange gains on overseas operation		239,513	-
Impairment charge (E&E asset)		-	(194,401)
Other expenses		-	(43,215)
		239,513	(237,616)
<i>Basic and diluted earnings/(loss) per share from discontinuing operations (pence)</i>		0.06	(0.09)

An impairment loss of £nil (2018, £194,401) on the measurement of the disposal group to fair value less cost to sell has been recognised and is included in the statement of comprehensive income as a discontinued operation, in line with IFRS 5, as the project represents a major line of business and a geographical area of operation, see below.

The fair value measurement is based on the disposal agreement and is categorised as a level 3 non-recurring fair value measurement.

The calculation of loss per share from discontinued activities is based on a profit of £239,513 (2018: loss of £237,616), and on 371,915,241 ordinary shares (2018: 287,195,618), being the weighted average number of shares in issue during the year.



**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**14. Disposal group classified as held for sale (continued)**

The statement of cash flows includes the following amounts relating to discontinued operations:

		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
Operating activities		-	(7,725)
Net cash from discontinued operations		-	(7,725)

**15. Trade and other payables**

<b>Group</b>		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
Trade payables		190,245	234,272
Other creditors and accruals		77,321	99,381
		<b>267,566</b>	<b>333,653</b>
<b>Company</b>			
Trade payables		30,212	43,516
Other creditors and accruals		54,833	56,316
		<b>85,045</b>	<b>99,832</b>

All trade and other payables are due within three months.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**16. Loans**

		<b>Loan</b>	<b>10% Notes (Issued 2016)</b>	<b>10% Notes (issued 2019)</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2018		-	431,406	-	431,406
Transfer from non-current		202,630	-	-	202,630
Accrued interest		20,038	40,993		61,031
Interest paid		(17,597)	-	-	(17,597)
At 31 December 2018		205,071	472,399		677,470
Drawn down		30,000	-	-	30,000
Notes issued		-	-	400,000	400,000
Transfer to derivative element		-	-	(74,067)	(74,067)
Accrued interest		20,028	49,466	6,712	76,206
Accretion of liability		-	-	12,344	12,344
Repaid		(255,099)	-	-	(255,099)
At 31 December 2019		-	521,865	344,989	866,854

**10% Notes (issued 2016)**

The 10% Loan Notes issued on 11 July 2016 were part of the consideration for the acquisition of Graphite Advancements Pty Ltd (see note 12). The Loan Notes are unsecured, pay interest at 10% per annum, and are convertible at the option of the company into Ordinary Shares at 2p per Ordinary Share, together with any interest owing. The Loan Notes convert 12 months from issue, or earlier at the option of the Company, provided such conversion does not result in the holders owning more than 29.9% of the issued share capital of the Company.

On 11 July 2017, the loan notes matured, 4,343,724 shares of nominal value 0.1p were issued at a share price of 2p. All other loan notes were extended by the holders for a period of 24 months to 11 July 2019 and have since been extended again for a further period of 12 months. The modification to the loan during the current period has not given rise to a gain or loss as there was no change in the effective interest rate.

**10% Notes (issued 2019)**

On 30 October 2019, the company announced the issue of a new £400,000 convertible 10% loan note with a maturity date of 6 November 2020. Holders may at any time up to the 11<sup>th</sup> trading day prior to maturity convert their notes at a fixed price of 3p per share. In the final ten trading days, holders may convert at a price per share set at 90% of the Volume Weighted Average Share Price of the previous 10 trading days. Notes not previously converted will be repaid on 6 November 2020.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**16. Loans (continued)**

Under IFRS 9, the option to convert constitutes an embedded derivative which must be separated from the underlying obligation on the basis of its fair value, which value must be reassessed at each accounting date (see note 17). The remaining liability element must be restored to its original face value by means of accretion charged over the life of the notes.

**Loan**

The loan was advanced under the terms of a £400,000 facility contracted on 11 October 2017. The loan bore interest at 10% per annum and has been repaid in full in cash.

On 30 October 2019, the company agreed the terms of a new 12 month facility of £300,000 which may be drawn down in whole or in part, at any time. If an amount is drawn down an additional 10% is added to the amount drawn and this becomes the amount to be repaid. There are no other charges and no facility fee. The lender has conversion options on the same terms as the 2019 loan note holders.

At 31 December 2019, nothing had been drawn down under this facility.

**17. Derivative liability**

<b>Group and Company</b>	<b>£</b>
At 1 January 2018 and 1 January 2019	-
Transferred from loan note liability	74,067
Increase in fair value	45,467
At 31 December 2019	<u>119,534</u>

To determine the derivative liability, its value was calculated on the basis of both conversion options (see note 16) and an average of the two valuations, weighted by reference to the relative expectations that each would apply, was computed.

The fixed price conversion option was valued using the Black-Scholes model with the following inputs

Share price at issue (30 October 2019)	2.7p
Share price at year end	3.7p
Conversion price	3p
Expected volatility	82%
Risk free rate of interest	0.58%
Expected dividend yield	0%
Expected life	1 year

The variable price conversion option was valued on the basis of the discount to market price applicable under this option.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**17. Derivative liability (continued)**

In determining the weighting to be applied the directors took account of subsequent share price movements and of the uncertainties associated with projects of this nature. They concluded that the two options were equally likely to apply.

The valuation exercise was repeated at the year end and the resultant increase in fair value was included in the statement of comprehensive income.

**18. Share capital**

	Ordinary Shares of 0.01p/0.1p each*		Deferred Shares of 0.14p each		Deferred Shares of 1.4p each		Total
	Number	£	Number	£	Number	£	£
At 1 January 2018	244,640,034	244,640	1,531,374,350	2,143,923	42,260,533	591,648	2,980,211
Issue of shares:							
Placings	58,393,941	58,394	-	-	-	-	58,394
At 31 December 2018	303,033,975	303,034	1,531,374,350	2,143,923	42,260,533	591,648	3,038,605
Issue of shares:							
Placings	100,075,506	100,076	-	-	-	-	100,076
On exercise of warrants	453,749	454	-	-	-	-	454
At 31 December 2019	405,563,230	403,564	1,531,374,350	2,143,923	42,260,533	591,648	3,139,135

\*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.

In February 2019, 72,297,728 shares were placed at 1.1p per share raising £795,275 before expenses. £86,195 of total issued share capital was used to settle outstanding creditors. In September 2019, 27,777,778 shares were placed at 1.8p per share raising £500,000 before expenses. £44,287 of the total issued share capital was used to settle outstanding creditors. In December 2019 warrants to subscribe for 453,749 shares at 2.2p per share were exercised raising £9,982. Details of warrants are in note 19.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**19. Warrants to subscribe for Ordinary Shares**

In connection with the placing of shares in February 2019, 72,297,728 warrants to subscribe for shares in the Company were issued (one for each share placed) at a price of 2.2p per share with a life to expiry of three years.

In connection the placing of shares in September 2019, 27,777,778 warrants to subscribe for shares in the Company were issued (one for each share placed) at a price of 3.0p per share with a life to expiry of three years.

A summary is as follows

	<b>Subscription prices</b>	<b>Issued</b>	<b>Exercised</b>	<b>Outstanding at 31 December 2019</b>
February warrants	2.2p	72,297,728	(453,749)	71,843,979
September warrants	3.0p	27,777,778	-	27,777,778
		100,075,506		99,621,757*

\* representing 24.56% of the issued share capital of the company

The estimated fair values of the February and September warrants, calculated using the Black-Scholes model, were £349,198 and £197,222 respectively. These amounts were charged to the share premium account to recognise the cost of issuing the warrants.

The inputs to the model were as follows:

	<b>February</b>	<b>September</b>
Share price	1.25p	1.95p
Subscription price	2.2p	3.0p
Expected volatility	81%	73%
Risk free rate of interest	0.88%	0.48%
Expected dividend yield	0%	0%
Expected life	3 years	3 years

Expected volatility was determined by reference to the historical volatility of the Company's share price.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**20. Share based payment arrangements**

A summary of outstanding options is as follows:

	Exercise price	Held at 1 January 2018 and 1 January 2019	Granted	Lapsed	Held at 31 December 2019
<b>Directors</b>					
ES Mahede					
Granted 10.08.16	2p	250,000	-	-	250,000
Granted 10.08.16	4p	250,000	-	-	250,000
N Johansen					
Granted 16.10.16	2p	250,000	-	-	250,000
Granted 16.10.16	4p	250,000	-	-	250,000
P Johnson					
Granted 07.03.19	2.2p	-	7,500,000	(2,500,000)	5,000,000
<b>Consultants</b>					
Granted 01.10.13	15p	66,667			66,667
Granted 19.11.14	15p	300,000			300,000
		1,366,667	7,500,000	(2,500,000)	6,366,667*

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 1.57% (2018, 0.45%) of the issued share capital of the company

All the outstanding options held at the year-end were exercisable at a weighted average exercise price of 3p (2018:6p).

The Mahede and Johanssen options have a life of four years from the date of grant. The Johnson options have a life of three years from the date of grant. The consultant options have a life of 10 years. All options are time based with no other conditions.

On 7 March 2019 a total of 7,500,000 options to subscribe for shares in the company at a price of 2.2p per share were granted to Paul Johnson upon his appointment to the board, of which 5,000,000 vested immediately and 2,500,000 were to vest in one year. The options had a life of three years and no performance conditions. Mr Johnson resigned on 30 November 2019; so the 2,500,000 tranche, which had yet to vest, lapsed.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**

**20. Share based payment arrangements (continued)**

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

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

Share price	1.2p
Exercise price	2.2p
Expected volatility	81%
Risk free rate of interest	0.79%
Expected dividend yield	0%
Expected life	3 years

Expected volatility was determined by reference to the historical volatility of the Company's share price.

**21. 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 32 and 33.

**22. Related party transactions**

In respect of the Company, amounts, net of provisions, due from subsidiary undertakings were £2,078,657 (2018 £1,394,462), the movement being amounts lent to the subsidiaries less an increase in provisions.

**23. Ultimate controlling party**

There was no ultimate controlling party during the year.

**24. Subsequent events**

On 11 March 2020, the Company drew down £50,000 of the loan facility described in note 16.

On 30 April 2020, the Company raised £550,000 via a private subscription with certain existing shareholders. 24,444,444 new ordinary shares at 2.25p per share were issued and the same number of warrants to subscribe for new ordinary shares at 3.25p per share, expiring two years from the date of issue, were issued alongside the subscription.

Since the year end, a total of 5,923,186 warrants to subscribe for ordinary shares at 2.2p per share have been exercised, providing proceeds of £130,000, 1,000,000 options to subscribe for ordinary shares at a price of 2p per share have been exercised providing proceeds of £20,000 and £230,000 nominal of the loan notes issued in 2019 have been converted into ordinary share at a price of 3p per share.

Notes to the financial statements (continued)  
For the year ended 31 December 2019

25. Notes to the group and company statement of cash flows

	Loan	10% Notes (Issued 2016)	10% Notes (Issued 2019)		Total
	£	£	Liability element £	Derivative element £	£
<b>At 1 January 2019</b>	205,071	472,399			677,470
Drawn down	30,000	-	400,000	-	430,000
Transfer to derivative element			(74,067)	74,067	
Interest paid	(20,028)	-	-	-	(20,028)
Repayment	(235,071)	-	-	-	(235,071)
	(20,028)	472,399	(325,933)	74,067	852,371
Non-cash flows					
Interest charged	20,028	46,466	6,712	-	76,206
Accretion of liability	-	-	12,344	-	12,344
Change in fair value of derivative element	-	-	-	45,467	45,467
<b>At 31 December 2019</b>	-	521,865	344,989	119,534	986,388

	Loan	10% Notes	Total
	£	£	£
<b>At 1 January 2018</b>	202,630	431,406	634,036
Interest paid	(17,597)	-	(17,597)
<b>Non-cash flows</b>			
Interest charged	20,038	40,993	61,031
<b>At 31 December 2018</b>	205,071	472,399	677,470



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**Notice of Annual General Meeting**

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**ARMADALE CAPITAL PLC**

1 Arbrook Lane, Esher, Surrey, KT10 9EG

**Notice of Annual General Meeting**

Notice is hereby given that the Annual General Meeting of Armadale Capital Plc ('the Company') will be held at Level 25, 108 St George's Terrace, Perth, Western Australia on 30 June 2020 at 17.00 AWST (10:00 BST) 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 to 6 and as a special resolution in the case of Resolution 7.

As a result of the ongoing coronavirus global pandemic and the measures put in place to restrict public gatherings and all but essential travel, for the safety of our shareholders, our advisers and the general public, attendance at the Annual General Meeting in person will not be possible this year and shareholders, proxies and corporate representatives will not be permitted entry. Shareholders are encouraged to vote by proxy in advance of the meeting following the procedure set out below. Voting at the meeting will be carried out by way of a poll so that proxy votes can be taken into account. The results of the poll will be announced as soon as practicable after the meeting.

**ORDINARY BUSINESS**

1. To receive the report of the Directors and the audited financial statements of the Company for the year ended 31 December 2019.
2. To reappoint Amne Suedi as a Director of the Company who having been appointed since the last Annual General Meeting resigns and offers herself for reappointment under the Articles of Association of the Company.
3. To reappoint Matt Bull as a Director of the Company, who having been appointed since the last Annual General Meeting resigns and offers himself for reappointment under the Articles of Association of the Company.
4. To reappoint Steve Mahede as a Director of the Company, who resigns by rotation and offers himself for reappointment under the Articles of Association of the Company.
5. To reappoint 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**

6. 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 £250,000 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**

7. 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 subparagraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £250,000;

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:*  
1 Arbrook Lane  
Esher, Surrey, KT10 9EG

*By order of the Board*  
Timothy Jones  
Company Secretary

2 June 2020

#### **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.

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**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 The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR 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 hardcopy proxy form and would like to change the instructions using another hardcopy 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.

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**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 The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR 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. At 26 May 2020 the Company's issued share capital comprised 442,597,526 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 26 May 2020 is 442,597,526

**Communications with the Company**

11. Except as provided above, members who have general queries about the Meeting should email the Company Secretary, Timothy Jones, on [tim@timothyjones.co.uk](mailto:tim@timothyjones.co.uk) (no other methods of communication will be accepted). You may not use any other 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](http://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.