

Armadale Capital Plc
Annual Report and Accounts
31 December 2020

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Officers and Professional Advisers

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Matt Bull

Secretary

Timothy Jones

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Strategic Report

For the year ended 31 December 2020

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 2020.

Operational and Corporate Highlights for Period Ended 31 December 2020

Significant progress made in delivering key accretive milestones in advancing the Mahenge Liandu Graphite Project in Tanzania

1. Completed Definitive Feasibility Study for Mahenge Liandu graphite project (March 2020)
2. Updated Mine Plan to materially increase production increasing average annual output from 80ktpa to 109ktpa of concentrate over life of mine
3. Delivered update to Definitive Feasibility Study (June 2020) folding in results from revised Mine Schedule using higher-grade cut off of 9% Total Graphitic Carbon ('TGC'), higher strip ratio of 1.95:1, and a rescheduled Stage 2 expansion. A significantly increased production profile (30%) over the March 2020 Definitive Feasibility Study

Updated Definitive Feasibility Study – Key Data

- i) US\$985m pre-tax cashflow generated from initial 15 year mine life
 - ii) Estimated pre-tax NPV of US\$430m (utilising a discount rate of 10%) and IRR of 91%
 - iii) Staged ramp-up planned to facilitate near term production with 60,000tpa graphite concentrate to be produced for the first three years (Stage 1) before increasing to 109,000tpa (Stage 2)
 - iv) Capital cost estimate for Stage 1 is US\$39.7m, which includes a contingency of US\$4.1m or 15% of total direct capital cost
 - v) 1.6-year payback for Stage 1 (after tax) based on an average sales price of US\$1,112/tonne. Stage 2 expansion is expected to be funded from cashflow
4. Metallurgical test work carried out by Bureau Veritas in Perth confirms Mahenge can produce high quality, high purity graphite, with conventional technology achieving consistent purity of above 97% TGC, some of the highest grades in the sector.

This work also confirmed:

- i) Large proportion of concentrates in the medium size fractions, ideally suited to the battery market
- ii) Coarser grind sizes can retain a larger proportion of larger flake sizes, suited to the expandable and graphite foil markets
- iii) Results are typical of the high purity smaller and medium flake size in the Mahenge graphite province

Strategic Report (continued)
For the year ended 31 December 2020

5. Engagement of leading supplier of graphite process plants Xinhai Mineral EPC, to commence metallurgical bulk test work as part of the first phase of the Front-End Engineering Design Studies ('FEED Studies')
6. Mining licence application submitted
7. Advancing workstream to secure project level funding mandate, with NDAs signed with a number of parties (strategic investors, debt providers and potential JV partners)
8. Offtakes MOU signed with a number of parties with significant interest shown from additional offtake partners keen to secure high-grade, high-purity Mahenge graphite. Advancing workstream to progress to binding offtakes

Post Period End – advancing all workstreams

1. CSIRO (Australia's Commonwealth Scientific and Industrial Research Organisation) testwork confirmed natural flake graphite from Mahenge graphite project as a premium quality product with the exceptionally high purity and characteristics required for use in lithium-ion batteries
2. Successful results from first phase FEED studies by Xinhai establishes that the selection of equipment used in the feasibility study and confirms the low capex high margin project economics. Positive testwork a major de-risking step in confirming process flowsheet as per Definitive Feasibility Study
3. Environmental and Social Impact Assessment ('ESIA') formally granted by National Environment Management Council ('NEMC') of Tanzania
4. Ongoing review of quoted portfolio, where the Directors believe there are opportunities for capital gains
5. Continue to actively review other exciting investment opportunities

During the year under review, Armadale continued to operate as a diversified investing company 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.

Strategic Report (continued)
For the year ended 31 December 2020

PASSIVELY MANAGED INVESTMENTS

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

The shares in MRI are being carried at Nil market value (2019: 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.

The Company continues to hold its strategic investment in Forum Energy Metals Corp, a company incorporated in Canada and listed on the Toronto Stock Exchange, which the Company acquired in 2019.

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 its 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 COVID-19 pandemic has risks for the Group in terms of its ability to travel to and from its projects and ability for key personnel to access its projects. As previously reported, 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 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.
- In order to achieve its long term strategy of developing its exploration project, the Group depends on the availability of and access to future funding within the global economic environment.

Strategic Report (continued)
For the year ended 31 December 2020

- 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 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.

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.

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.

Strategic Report (continued)
For the year ended 31 December 2020

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.

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.

Strategic Report (continued)
For the year ended 31 December 2020

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.

Board

Post period end, in March 2021, Ms Amne Suedi and Mr Steve Mahede resigned from the Board as Non-executive Directors and the Company wishes them well in the future.

The Board is initiating a process to review its composition and consider suitable candidates for the vacancies made recently.

Financial Results

For the year ended 31 December 2020 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 £0.196 million (2019: £0.273 million) for the year ended 31 December 2020. Expenditure on the Mahenge Liandu project during the year amounted to £0.662 million (2019: £0.593 million), which was capitalised as additional exploration and evaluation assets.

Funds raised during the year amounted in total to £1.218 million of which £0.550 million came from a placing of shares and £0.668 million came from the exercise of warrants and options. Other share issues during the year were in respect of loan note conversions.

At 31 December 2020, the Group had cash of £252,000 (2019: £96,000) and debt of £577,000 (2019: £867,000). Since the year end, the Board has determined that the Company will exercise its right to convert all the remaining loan notes together with the associated accrued interest into ordinary shares in the Company with the result that the Group will be debt free.

Strategic Report (continued)
For the year ended 31 December 2020

Outlook

The Directors continue to 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

28 May 2021

Directors' Report
For the year ended 31 December 2020

The Directors submit their report and the financial statements of Armadale Capital Plc ('Armadale' or the 'Company') for the year ended 31 December 2020.

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 2020 was £195,925 (2019, £272,548). 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 (2019, £nil) in the year.

Corporate governance

As an AIM company, Armadale 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://armadalecapitalplc.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:

Nicholas Johansen

Matt Bull (appointed 24 April 2020)

Emmanuel S Mahede (resigned 31 March 2021)

Anne Suedi (appointed 7 January 2020, resigned 31 March 2021)

Ged Hall (resigned 16 April 2020)

Directors' Report (continued)
For the year ended 31 December 2020

Directors' interests

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

			31 December 2020	31 December 2019
			No:	No:
N Johansen			2,012,122	2,012,122
ES Mahede			1,750,000	1,750,000
A Suedi			-	-
M Bull			27,612,311	27,612,311*

*At date of appointment

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

			31 December 2020	31 December 2019
			No:	No:
ES Mahede	(2.2p warrants)		750,000	750,000
M Bull	(2.2p warrants)		7,852,273	7,852,273*
M Bull	(3p warrants)		1,666,669	1,666,667*

*At date of appointment

Directors also held options over Ordinary Shares as follows:

			31 December 2020	31 December 2019
			No:	No:
N Johansen			-	500,000
ES Mahede			-	500,000

Substantial shareholdings

At 20 May 2021 the Company was aware of the following interests in 3% or more of the issued share capital of the Company:

Hargreaves Lansdown Nominees	14.5%
Interactive Investor Services Nominees	13.0%
HSDL Nominees	11.9%
Barclays Nominees	8.7%
Matt Bull	5.7%
Lawshare Nominees	4.4%
Kabunga Holdings Pty Ltd	4.1%
Vidacos Nominees	4.0%
JIM Nominees	3.9%
Wealth Nominees	3.2%

Directors' Report (continued)
For the year ended 31 December 2020

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

	2020	2019
	£'000	£'000
N Johansen	29	41
ES Mahede	29	42
A Suedi	26	-
M Bull	33	-
G Hall	11	3

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

Directors' Report (continued)
For the year ended 31 December 2020

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 Group 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.

Directors' Report (continued)
For the year ended 31 December 2020

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 2020, the Group had cash of £251,738 (2019, £95,641) and convertible loan notes of £576,668 (£866,854). During the year, holders of loan notes with a face value of £370,793 elected to have their notes converted into ordinary shares of the Company. Since the year end, the Board has determined that the Company will exercise its right to convert all the remaining loan notes together with the associated accrued interest into ordinary shares in the Company with the result that the Company will be debt free.

Since the year end, the Company has received £245,000 as a result of warrant exercises. 84.8 million warrants remain outstanding. They are exercisable at between 2.2p and 3.25p per warrant and will all have expired by April 2022 if not exercised. Given the Company's current share price, it is reasonable to expect that the majority of these warrants will be exercised, potentially generating £2.3 million.

On 30 March 2021, the Company announced that its Environmental and Social Impact Assessment, a key component of the mining licence application process, had been formally approved by the National Environment Management Council of Tanzania and on 22 April 2021, the Company announced the successful completion of phase 1 of the metallurgical bulk test work programme.

At 20 May 2021, the Company had cash of approximately £300,000 and listed investments with a traded value of approximately £490,000 together with warrants to acquire further shares with a value, net of the subscription cost, of £373,000. The Directors have prepared a cash flow forecast for the next twelve months which shows that the cash in hand together with expected further receipts is sufficient to meet current commitments in respect of exploration expenditure and corporate overheads for a period of at least twelve months, 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 further fundraising. Against the background of the encouraging progress with the Mahenge Liandu graphite project and the Company's history of raising funds through the issue of equity, the Directors consider that there is a reasonable expectation that the required capital will be raised. However, there are currently no binding agreements in place. Should the Directors be unable to raise sufficient funds, 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 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.

Directors' Report (continued)
For the year ended 31 December 2020

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

Since the year end, the Company has allotted a total of 10,467,915 Ordinary Shares of 0.1p in connection with the exercise by shareholders of warrants issued in conjunction with previous share placings. Proceeds received were £245,000.

On 30 March 2021, the Company announced that its Environmental and Social Impact Assessment had been formally approved by the National Environment Management Council of Tanzania.

On 22 April 2021, the Company announced the successful completion of phase 1 of the metallurgical bulk test work programme.

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.

By order of the Board

Timothy Jones
Secretary
28 May 2021

**Independent Auditor's Report to the Shareholders of Armadale Capital Plc
For the year ended 31 December 2020**

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 2020 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 2020 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 further fundraising. 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.

We considered going concern to be a key audit matter based on our assessment of the risk and the effect on our audit.

Independent Auditor's Report to the Shareholders of Armada Capital Plc (continued)
For the year ended 31 December 2020

How the scope of our audit responded to the risk:

- 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 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.
- We reviewed the disclosure included within the financial statements.

An overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK and Ireland)'). We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the directors that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account our understanding of the Group and its environment, the accounting processes and controls, and the industry in which the Group operates. We planned our work to include sufficient work in respect of the parent company and the subsidiaries to enable us to provide an opinion on the consolidated financial statements.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified in the Key audit matters section below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Independent Auditor's Report to the Shareholders of Armada Capital Plc (continued)
For the year ended 31 December 2020

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.

Going concern

See relevant section above.

Carrying value of exploration and evaluation assets

The exploration and evaluation assets of the Group represent the key assets on the Group's statement of financial position.

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 2.10, note 2.13 and note 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.

How the scope of our audit responded to the risk:

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 discussed the progress of the project and the progress of the relevant licence application with management and the directors
- We reviewed relevant documentation pertaining to the above
- We reviewed the appropriateness of the costs capitalised in accordance with IFRS 6: 'Exploration for and Evaluation of Mineral Resources'.
- We made specific inquiries of management and reviewed market announcements which confirmed the plan to continue investment in the Mahenge Liandu project subject to sufficient funding being available, as disclosed in note 2.2
- 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.

Independent Auditor's Report to the Shareholders of Armada Capital Plc (continued)
For the year ended 31 December 2020

Management override

In preparing the financial statements management are required to make judgements, estimates and assumptions that affect the choice and application of accounting policies and the reported amount of assets, liabilities, income and expenses.

How the scope of our audit responded to the risk:

During the course of our audit we performed the following procedures to address the risk of management override:

- Gained an understanding of the process in place for posting journal entries;
- Assessed the appropriateness of accounting policy choices and the basis of key judgements, estimates and assumptions;
- Reviewed journal entries during the period for indicators of management bias, transactions outside the normal course of business or indicators of fraudulent activity;
- Examined a sample of journal entries to understand the rationale and assess the accuracy of the postings made; and
- Considered the value, nature and cause of misstatements identified during the audit to identify any indicators of bias.

Key observations:

The results of our testing were satisfactory and we consider the disclosures surrounding accounting policy choices and key accounting judgements to be adequate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decision of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement we determined materiality for the consolidated financial statements as a whole to be £100,000 and for the parent company financial statements to be £100,000 based upon 2% of net assets.

We consider net 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.

We agreed with the board that we would report to them all individual audit differences identified during the course of our audit in excess of £5,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report to the Shareholders of Armadale Capital Plc (continued)
For the year ended 31 December 2020

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.

Independent Auditor's Report to the Shareholders of Armadale Capital Plc (continued)
For the year ended 31 December 2020

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.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

The specific procedures for this engagement that we designed and performed to detect material misstatements in respect of irregularities, including fraud, were as follows:

- Enquiry of management around actual and potential litigation and claims;
- Enquiry of management to identify any material instances of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work to address the risk of irregularities due to management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing material financial reporting judgements and accounting estimates for evidence of bias.

Independent Auditor's Report to the Shareholders of Armada Capital Plc (continued)
For the year ended 31 December 2020

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

Use of our report

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

Alan Poole BA (Hons) FCA (Senior Statutory Auditor)

For and on behalf of **James Cowper Kreston**

Statutory Auditors
Reading Bridge House
George Street
Reading
Berkshire RG1 8LS

28 May 2021

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	2020	2019
		£	£
Administrative expenses		(377,912)	(468,948)
Share based payment charges		-	(22,550)
Change in fair value of derivative		37,143	(45,467)
Change in fair value of investments	13	176,006	46,145
Operating loss		(164,763)	(490,820)
Finance costs		(31,162)	(21,241)
Loss before taxation	6	(195,925)	(512,061)
Taxation	9	-	-
Loss for the year from continuing operations		(195,925)	(512,061)
Profit from discontinued operations, net of tax	10	-	239,513
Loss after taxation		(195,925)	(272,548)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Reclassification of foreign exchange gain		-	(239,513)
Exchange differences on translating foreign entities		39,070	(93,571)
Total comprehensive loss attributable to the equity holders of the parent company		(156,855)	(605,632)
Loss per share attributable to the equity holders of the parent company		Pence	Pence
<i>Basic and diluted total loss per share</i>	11	(0.04)	(0.07)
<i>Basic and diluted loss per share from continuing operations</i>	11	(0.04)	(0.14)

The notes on pages 31 to 56 form part of the financial statements.

Consolidated Statement of Financial Position
At 31 December 2020

	Note	2020 £	2019 £
Assets			
Non-current assets			
Exploration and evaluation assets	12	4,417,440	3,705,210
Investments	13	281,761	105,755
		4,699,201	3,810,965
Current assets			
Trade and other receivables	14	121,062	159,495
Cash and cash equivalents		251,738	95,641
		372,800	255,136
Total assets		5,072,001	4,066,101
Equity and liabilities			
Equity			
Share capital	18	3,207,382	3,139,135
Share premium	21	22,348,000	21,037,478
Shares to be issued	21	286,000	286,000
Share option and warrant reserve	21	762,347	661,676
Foreign exchange reserve	21	127,238	88,168
Retained earnings	21	(22,406,009)	(22,400,310)
Total equity		4,324,958	2,812,147
Current liabilities			
Trade and other payables	15	170,375	267,566
Loans	16	576,668	866,854
Derivative liability	17	-	119,534
Total Liabilities		747,043	1,253,954
Total equity and liabilities		5,072,001	4,066,101

The notes on page 31 to 56 form part of the financial statements.
Approved by the Board and authorised for issue on 28 May 2020
Signed on behalf of the Board

M Bull
Director

N Johansen
Director

Company Statement of Financial Position
At 31 December 2020

	Note	2020 £	2019 £
Assets			
Non-current assets			
Investments	13	1,881,761	1,705,755
Other receivables	14	2,781,448	2,078,657
		4,663,209	3,784,412
Current assets			
Trade and other receivables	14	111,642	77,097
Cash and cash equivalents		218,103	88,466
		329,745	165,563
Total assets		4,992,954	3,949,975
Equity and liabilities			
Equity			
Share capital	18	3,207,382	3,139,135
Share premium	21	22,348,000	21,037,478
Shares to be issued	21	286,000	286,000
Share option and warrant reserve	21	762,347	661,676
Retained earnings	21	(22,273,018)	(22,245,747)
Total equity		4,330,711	2,878,542
Current liabilities			
Trade and other payables	15	85,575	85,045
Loans	16	576,668	866,854
Derivative liability	17	-	119,534
Total liabilities		662,243	1,071,433
Total equity and liabilities		4,992,954	3,949,975

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 £217,497 (2019: £494,403) has been included in the financial statements of the parent company.

The notes on pages 31 to 56 form part of the financial statements.

Approved by the Board and authorised for issue on 28 May 2021

Signed on behalf of the Board

M Bull
Director

N Johansen
Director

Company Registration No. 5541602

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	Share Capital	Share Premium	Shares to be issued	Share Option and Warrant Reserve	Foreign Exchange Reserve	Retained Earnings	Total
	£	£	£	£	£	£	£
At 1 January 2019	3,038,605	20,569,844	286,000	94,884	421,252	(21,129,940)	2,280,645
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	-	568,970	-	-	1,137,134
At 31 December 2019	3,139,135	21,037,478	286,000	661,676	88,168	(22,400,310)	2,812,147
Loss for the year	-	-	-	-	-	(195,925)	(195,925)
Other comprehensive income	-	-	-	-	39,070	-	39,070
Total comprehensive loss for the year	-	-	-	-	39,070	(195,925)	(156,855)
Issue of shares and warrants	68,247	1,310,522	-	239,556	-	-	1,618,325
Release on conversion of loan notes	-	-	-	-	-	51,341	51,341
Transfer on exercise of warrants	-	-	-	(138,885)	-	138,885	-
Total other movements	68,247	1,310,522	-	100,671	-	190,226	1,669,666
At 31 December 2020	3,207,382	22,348,000	286,000	762,347	127,238	(22,406,009)	4,324,958

The notes on pages 31 to 56 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 2020

	Share Capital	Share Premium	Shares to be issued	Share Option and Warrant Reserve	Retained Earnings	Total
	£	£	£	£	£	£
At 1 January 2019	3,038,605	20,569,844	286,000	94,884	(21,753,522)	2,235,811
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 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
At 31 December 2019	3,139,135	21,037,478	286,000	661,676	(22,245,747)	2,878,542
Loss for the year	-	-	-	-	(217,497)	(217,497)
Total comprehensive loss for the year	-	-	-	-	(217,497)	(217,497)
Issue of shares and warrants	68,247	1,310,522	-	239,556	-	1,618,325
Release on conversion of loan notes	-	-	-	-	51,341	51,341
Transfer on exercise of warrants	-	-	-	(138,885)	138,885	-
Total other movements	68,247	1,310,522	-	100,671	190,226	1,669,666
At 31 December 2020	3,207,382	22,348,000	286,000	762,347	(22,273,018)	4,330,711

The notes on pages 31 to 56 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

Consolidated Statement of Cash Flows
For the year ended 31 December 2020

		2020	2019
		£	£
Cash flows from operating activities			
Loss before taxation		(195,925)	(272,548)
Adjustment for:			
Release of exchange gains on overseas operation		-	(239,513)
Share based payment charge		-	22,550
Change in fair value of derivative		(37,143)	45,467
Change in fair value of investments		(176,006)	(46,145)
Finance costs		31,162	21,241
		(377,912)	(468,948)
Changes in working capital			
Receivables		11,182	(44,103)
Payables		(6,729)	(14,868)
Net cash used in operating activities		(373,459)	(527,919)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		(689,254)	(474,049)
Purchase of listed investments		-	(58,637)
Net cash used in investing activities		(689,254)	(532,686)
Cash flows from financing activities			
Proceeds from share issues		1,245,576	968,696
Issue costs		-	(46,500)
Issue of loan notes		-	400,000
Proceeds from loan (Note 16)		50,000	30,000
Loan repayment		(50,000)	(235,071)
Interest paid		(26,766)	(5,189)
Net cash from financing activities		1,218,810	1,111,936
Net increase in cash and cash equivalents		156,097	51,331
Cash and cash equivalents at 1 January		95,641	44,310
Cash and cash equivalents at 31 December		251,738	95,641

The notes on pages 31 to 56 form part of the financial statements.

Company Statement of Cash Flows
For the year ended 31 December 2020

		2020	2019
		£	£
Cash flows from operating activities			
Loss before taxation		(217,497)	(494,403)
Adjustment for:			
Share based payment charge		-	22,550
Impairment charge		177,827	168,920
Change in fair value of derivative		(37,143)	45,467
Change in fair value of investments		(196,006)	(46,145)
Finance costs		31,162	21,241
		(241,657)	(282,370)
Changes in working capital			
Receivables		(61,796)	(63,658)
Payables		530	9,663
Net cash used in operating activities		(302,923)	(336,365)
Cash flows from investing activities			
Advances to subsidiaries		(806,250)	(637,897)
Purchase of listed investments		-	(58,637)
Net cash used in investing activities		(806,250)	(696,534)
Cash flows from financing activities			
Proceeds from share issues		1,245,579	968,696
Issue costs		-	(46,500)
Issue of loan notes		-	400,000
Proceeds from loan (Note 16)		50,000	30,000
Loan repayment		(50,000)	(235,071)
Interest paid		26,766	-
Net cash from financing activities		1,272,345	1,117,125
Net increase in cash and cash equivalents		129,639	84,226
Cash and cash equivalents at 1 January		88,466	4,240
Cash and cash equivalents at 31 December		218,103	88,466

The notes on pages 31 to 56 form part of the financial statements.

Notes to the financial statements
For the year ended 31 December 2020

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 2020, the Group had cash of £251,738 (2019, £95,641) and convertible loan notes of £576,668 (£866,854). During the year, holders of loan notes with a face value of £370,793 elected to have their notes converted into ordinary shares of the Company. Since the year end, the Board has determined that the Company will exercise its right to convert all the remaining loan notes together with the associated accrued interest into ordinary shares in the Company with the result that the Company will be debt free.

Since the year end, the Company has received £245,000 as a result of warrant exercises. 84.8 million warrants remain outstanding. They are exercisable at between 2.2p and 3.25p per warrant and will all have expired by April 2022 if not exercised. Given the Company's current share price, it is reasonable to expect that the majority of these warrants will be exercised, potentially generating £2.3 million.

On 30 March 2021, the Company announced that its Environmental and Social Impact Assessment, a key component of the mining licence application process, had been formally approved by the National Environment Management Council of Tanzania and on 22 April 2021, the Company announced the successful completion of phase 1 of the metallurgical bulk test work programme.

At 20 May 2021, the Company had cash of approximately £300,000 and listed investments with a traded value of approximately £490,000 together with warrants to acquire further shares with a value, net of the subscription cost, of £373,000. The Directors have prepared a cash flow forecast for the next twelve months which shows that the cash in hand together with expected further receipts is sufficient to meet current commitments in respect of exploration expenditure and

Notes to the financial statements (continued)
For the year ended 31 December 2020

2.2. Going Concern (continued)

corporate overheads for a period of at least twelve months, 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 further fundraising. Against the background of the encouraging progress with the Mahenge Liandu graphite project and the Company's history of raising funds through the issue of equity, the Directors consider that there is a reasonable expectation that the required capital will be raised. However, there are currently no binding agreements in place. Should the Directors be unable to raise sufficient funds, 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 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 was 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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

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. 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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

2. Accounting policies (continued)

2.12. Impairment of assets (continued)

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 in 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.

2.13. 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.

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

Notes to the financial statements (continued)
For the year ended 31 December 2020

2. Accounting policies (continued)

2.13. Non-current assets held for sale and disposal groups (continued)

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.

2.14. 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.

2.15. 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 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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

2. Accounting policies (continued)

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

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 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 attributed 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.

2.16. New accounting standards

Certain new standards, amendments and interpretations to existing standards have been published that are relevant to the Company's activities and are mandatory for the Company's accounting periods beginning on 1 January 2020. These include:

Amendments to References to Conceptual Framework

IRFS3: Definition of a business

The above standards had no material impact on the Group's financial statements.

A number of new and amended accounting standards and interpretations have been published that are not mandatory for the Group's accounts for the year ended 31 December 2020 and they have not been adopted early. These standards, which are detailed below, are not expected to have a material impact on the Group's consolidated financial statements:

Amendments to IAS1: Classification of liabilities as current or non-current

Amendments to IAS 16: Property, plant and equipment

Amendments to IAS 37: Provisions, contingent liabilities and contingent assets; and

Amendments to IFRS9, IAS 39 IFRS7, IFRS 4 and IFRS 16: Interest rate benchmark reform

Notes to the financial statements (continued)
For the year ended 31 December 2020

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 significant sources of estimation uncertainty relate to the value of the Group's exploration assets, to share based payment charges and to the accounting treatment of compound financial instruments.

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 having taken into consideration the progress made on the project in respect of environmental approval and metallurgical test results, 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 judgement. The assessment of the expected credit losses is included in Note 14 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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

4. Financial risk management

Policy

The Group and Company regularly monitor the cash position to ensure liabilities can be met. The policies on other financial risks are set out below.

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 14. 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. Since the year end, the Board has determined that the Company will exercise its right to convert all the remaining loan notes together with the associated accrued interest into ordinary shares in the Company.

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 US and Australian 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.

Interest rate risk

The interest rate on current debt is fixed.

Notes to the financial statements (continued)
For the year ended 31 December 2020

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 graphite. The value of the projects is vulnerable to fluctuations in the prevailing market price of this commodity.

Other market price risk

The Group holds some strategic equity investments in other companies as shown in note 13. 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 Group's total credit risk amounts to the total of the sum of receivables and cash. At the year-end this amount was £372,800 (2019 - £255,136).

The parent Company financial statements include amounts due from subsidiaries as disclosed in Note 14. The credit risk associated with these receivables has been disclosed as a key estimate and judgement as 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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

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 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 £4,417,440 (2019, £3,705,210).

6. Loss before tax

This is stated after charging:

	2020	2019
	£	£
Directors' emoluments - fees	98,768	128,704
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Group and Company financial statements	22,500	32,000
Fees payable to the Company's auditors for taxation compliance services	2,500	3,850
Share based payment charge	-	22,550
Change in fair value of derivative	-	45,467
and after crediting:		
Release of exchange gains on overseas operation*	-	239,513
Change in fair value of investments	176,006	46,145
Change in fair value of derivative	37,143	-

* 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 2020

7. Employees

	2020	2019
The average monthly number of persons (including Directors) employed by the Group and the Company during the year was:		
Management	5	4
Employment costs	£	£
Group		
Wages and salaries (including Directors)	156,445	140,704
Company		
Wages and salaries (including Directors)	47,155	58,236

Of the Group wages and salaries £52,000 (2019: £56,000) has been capitalised as exploration and evaluation expenditure.

8. Remuneration of Directors of the Company

Aggregate emoluments	127,457	128,704

The 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 2020

9. Taxation

		2019	2018
		£	£
Continuing operations			
Current Tax			
Current tax on loss for the year		-	-
		2020	2019
		£	£
Continuing operations			
Factors affecting the tax charge for the year			
Loss on ordinary activities before taxation		(195,925)	(272,548)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2019: 19%)		(37,226)	(51,784)
Effects of :			
Expenses disallowed		-	12,924
Gains not taxable		(40,498)	(54,275)
Losses carried forward not recognised as a deferred tax asset		77,724	93,135
UK Corporation tax		-	-

A deferred tax asset of approximately £1,667,000 (2019: £1,589,000) has not been recognised owing to the uncertainty over the timing of future recoverability. The Group has total carried forward losses of £8,772,000 (2019: £8,363,000).

10. Profit from discontinued operations, net of tax

	2020	2019
	£	£
Release of foreign exchange gains	-	239,513

On 11 January 2019, the board announced that agreement had been reached to sell the Company's interest in the Mpokoto gold project for potential consideration of a 1.5% royalty on gold sales achieved once in production. The assets in question had been fully impaired by 31 December 2018 and accordingly no further loss arose on disposal. In view of uncertainty in respect of the receipt of future royalties under the disposal agreement, no value was placed on them.

Notes to the financial statements (continued)
For the year ended 31 December 2020

10. Profit from discontinued operations, net of tax (continued)

Following completion of the sale, in accordance with the Group's accounting policy, accumulated net foreign exchange gains were released to income from the foreign exchange reserve.

11. Loss per share

The calculation of total loss per share is based on a loss of £195,925 (2019: £272,548), and on 443,889,719 ordinary shares (2019: 371,915,241), 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.

12. Exploration and evaluation assets

Group	2020	2019
	£	£
Cost		
At 1 January	3,705,210	3,192,999
Exchange movements	49,765	(80,859)
Additions	662,465	593,070
At 31 December	4,417,440	3,705,210

Included in additions are capitalised finance costs of £74,367 (2019: £59,245).

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

13. Investments

Non-current asset investments - Group	
	Listed investments
Fair value	£
At 1 January 2019	973
Additions	58,637
Increase in fair value	46,145
At 31 December 2019	105,755
Increase in fair value	176,006
At 31 December 2020	281,761

Notes to the financial statements (continued)
For the year ended 31 December 2020

13. Investments (continued)

Non-current asset investments - Company			
	Subsidiaries (at cost)	Listed Investments (at fair value)	Total
	£	£	£
At 1 January 2019	1,600,000	973	1,600,973
Additions	-	58,637	58,637
Increase in fair value	-	46,145	46,145
At 31 December 2019	1,600,000	105,755	1,705,755
Increase in fair value	-	176,006	176,006
At 31 December 2020	1,600	281,761	1,881,761

The listed investment acquired in 2019 comprises 2 million common shares of Forum Energy Metals Corp, incorporated in Canada and listed on the Toronto Stock Exchange.

The subsidiary companies are:

Name and nature of business	Registered Office	Class of shares	% held
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 2020

13. 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

14. Trade and other receivables

Group		2020	2019
		£	£
Other receivables		121,062	159,495
Total current receivables		121,062	159,495
Company			
Amounts owed by group undertakings		3,476,810	2,596,192
Provision for impairment		(695,362)	(517,535)
		2,781,448	2,078,657
Other receivables		111,642	77,097
Total current receivables		2,893,090	2,155,754

Notes to the financial statements (continued)
For the year ended 31 December 2020

14. Trade and other receivables (continued)

Mahenge Liandu Graphite Project

The provision against the intercompany loans arises from the application of the expected credit loss model under IFRS 9. The loans to the subsidiary companies are repayable on demand. As the subsidiaries do not have sufficient current assets to repay the loans, the loans will be classified as stage 3 of the expected credit loss model. In the current year £177,827 has been recognised under the expected credit loss model resulting in an accumulated provision of £695,362.

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.

15. Trade and other payables

Group		2020	2019
		£	£
Trade payables		100,094	190,245
Other creditors and accruals		70,281	77,321
		170,375	267,566
Company			
Trade payables		33,354	30,212
Other creditors and accruals		52,221	54,833
		85,575	85,045

All trade and other payables are due within three months.

Notes to the financial statements (continued)
For the year ended 31 December 2020

16. Loans

Group and Company

		Loan	10% Notes (Issued 2016)	10% Notes (issued 2019)	Total
		£	£	£	£
At 1 January 2019		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
Interest paid		(20,028)	-	-	(20,028)
Capital repaid		(235,071)	-	-	(235,071)
At 31 December 2019		-	521,865	344,989	866,854
Drawn down		50,000	-	-	50,000
Converted		-	-	(370,793)	(370,793)
Accrued interest		5,000	54,803	16,897	76,700
Accretion of liability		-	-	30,673	30,673
Interest paid		(5,000)	-	(21,766)	(26,766)
Capital repaid		(50,000)	-	-	(50,000)
At 31 December 2020		-	576,668	-	576,668

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, accrue 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 and, since the year end, the Board has determined that the Company will exercise its right to convert all the remaining loan notes together with the associated accrued interest into ordinary shares in the Company.

Notes to the financial statements (continued)
For the year ended 31 December 2020

16. Loans (continued)

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 were able at any time up to the 11th trading day prior to maturity, to convert their notes at a fixed price of 3p per share and all holders chose to do so. Accordingly, the alternative conversion option whereby, in the final ten trading days, holders would have been able to convert at a price per share set at 90% of the Volume Weighted Average Share Price of the previous 10 trading days ceased to apply.

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

Loan

The 2019 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 were drawn down an additional 10% was added to the amount drawn and this became the amount to be repaid. There were no other charges and no facility fee. The lender had conversion options on the same terms as the 2019 loan note holders.

17. Derivative liability

Group and Company	£
At 1 January 2019	-
Transferred from loan note liability	74,067
Increase in fair value	45,467
At 31 December 2019	119,534
Decrease in fair value	(37,143)
Converted	(82,391)
At 31 December 2020	-

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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

17. Derivative liability (continued)

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.

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 each reporting date and the resultant change in fair value was included in the statement of comprehensive income.

Notes to the financial statements (continued)
For the year ended 31 December 2020

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 2019	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	403,563,230	403,564	1,531,374,350	2,143,923	42,260,533	591,648	3,139,135
Issue of shares:							
Placings	24,444,444	24,445	-	-	-	-	24,445
On exercise of warrants	30,469,356	30,469	-	-	-	-	30,469
On conversion of loan notes	13,333,329	13,333	-	-	-	-	13,333
At 31 December 2020	471,810,359	471,811	1,531,374,350	2,143,923	42,260,533	591,648	3,207,382

*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 April 2020, 22,222,222 shares were placed at 2.25p per share raising £550,000. During the year warrants to subscribe for 29,469,356 shares at 2.2p per share and options to subscribe for 1,000,000 shares at 2p per share were exercised raising £668,326 in total. Details of warrants are in note 19.

Notes to the financial statements (continued)
For the year ended 31 December 2020

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 with 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.

In connection with the placing of shares in April 2020, 24,444,444 warrants to subscribe for shares in the Company were issued (one for each share placed) at a price of 3.25p per share with a life to expiry of two years.

A summary is as follows

	February 2019 Warrants (2.2p)	September 2019 Warrants (3.0p)	April 2020 Warrants (3.25p)	Total
At 1 January 2019	-	-	-	-
Issued	72,992,728	27,777,778	-	100,770,506
Exercised	(453,749)	-	-	(453,749)
At 31 December 2019	72,538,979	27,777,778	-	100,316,757
Issued	-	-	24,444,444	24,444,444
Exercised	(29,469,356)	-	-	(29,469,356)
At 31 December 2020	43,069,623	27,777,778	24,444,444	95,291,845*

* representing 20.2% of the issued share capital of the Company

The estimated fair value of the April 2020 warrants, calculated using the Black-Scholes model, was £239,556. This amount was charged to the share premium account to recognise the cost of issuing the warrants.

The inputs to the model were as follows:

Share price	2.3p
Subscription price	3.25p
Expected volatility	100%
Risk free rate of interest	0.6%
Expected dividend yield	0%
Expected life	2 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 2020

20. Share based payment arrangements

A summary of outstanding options is as follows:

	Exercise price	At 1 January 2019	Granted	Lapsed	At 31 December 2019	Exercised	Lapsed	At 31 December 2020
Directors								
ES Mahede								
Granted 10.08.16	3p	250,000	-	-	250,000	-	(250,000)	-
Granted 10.08.16	4p	250,000	-	-	250,000	-	(250,000)	-
N Johansen								
Granted 18.10.16	4p	250,000	-	-	250,000	-	(250,000)	-
Granted 18.10.16	5p	250,000	-	-	250,000	-	(250,000)	-
P Johnson								
Granted 11.03.19	2.2p	-	7,500,000	(2,500,000)	5,000,000	-	-	5,000,000
W Frewen								
Granted 21.07.16	2p	1,000,000			1,000,000	(1,000,000)	-	-
Consultants								
Granted 01.10.13	15p	66,667	-	-	66,667	-	-	66,667
Granted 19.11.14	15p	300,000	-	-	300,000	-	-	300,000
		2,366,667	7,500,000	(2,500,000)	7,366,667	(1,000,000)	(1,000,000)	5,366,667*

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 1.33% (2019, 2.43%) 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 (2019:3p).

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.

Notes to the financial statements (continued)
For the year ended 31 December 2020

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 27 and 28.

22. Related party transactions

In respect of the Company, amounts, net of provisions, due from subsidiary undertakings were £2,781,448 (2019 £2,078,657), 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

Since the year end, the Company has allotted a total of 10,467,915 Ordinary Shares of 0.1p in connection with the exercise by shareholders of warrants issued in conjunction with previous share placings. Proceeds received were £245,000.

On 30 March 2021, the Company announced that its Environmental and Social Impact Assessment had been formally approved by the National Environment Management Council of Tanzania.

On 22 April 2021, the Company announced the successful completion of phase 1 of the metallurgical bulk test work programme.

Notice of Annual General Meeting

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 Armada Capital Plc ('the Company') will be held at Suite 2, 1 Altona Street, West Perth, Western Australia on 28 June 2021 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 4 and as a special resolution in the case of Resolution 5.

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 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 2020.
2. To reappoint Nicholas Johansen as a Director of the Company, who resigns by rotation and offers himself for reappointment under the Articles of Association of the Company.
3. To reappoint James Cowper Kreston as auditors of the Company to act until the conclusion of the next Annual General Meeting and to authorise the Directors to determine the remuneration of the auditors.

SPECIAL BUSINESS

ORDINARY RESOLUTION

4. That in substitution for all existing and unexercised authorities, the Directors of the Company be and they are hereby generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 ('the Act') to exercise all or any of the powers of the Company to allot Relevant Securities (as defined in this Resolution) up to a maximum nominal amount of £200,000 provided that this authority shall, unless previously revoked or varied by the Company in general meeting, expire on the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this Resolution, unless renewed or extended prior to such time except that the Directors of the Company may before the expiry of such period make an offer or agreement which would or might require Relevant Securities to be allotted after the expiry of such period and the Directors of the Company may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. In this Resolution, "Relevant Securities" means any shares in the capital of the Company and the grant of any right to subscribe for, or to convert any security into, shares in the capital of the Company ("Shares") but does not include the allotment of Shares or the grant of a right to subscribe for Shares in pursuance of an employee's share scheme or the allotment of Shares pursuant to any right to subscribe for, or to convert any security into, Shares.

SPECIAL RESOLUTION

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

- (a) the allotment of ordinary shares of 0.1p each in the capital of the Company arising from the exercise of options and warrants outstanding at the date of this Resolution;
- (b) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective numbers of the ordinary shares held by them subject only to such exclusions or other arrangements as the Directors of the Company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory; and
- (c) the allotment (otherwise than pursuant to subparagraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £200,000;

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

28 May 2021

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

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

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, whether or not you are able to attend the meeting, you may use the enclosed form of proxy to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

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

To appoint a proxy using the proxy form, the form must be: completed and signed;

sent or delivered to Share Registrars Limited at 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.

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 2021 the Company's issued share capital comprised 482,278,272 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 2021 is 482,278,272

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 (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).

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.

