Armadale Capital Plc

Annual Report and Accounts

31 December 2022

Contents

Officers and Professional Advisers

Directors
Nicholas Johansen – Chairman
Matt Bull

Secretary
Timothy Jones

Registered office
I Arbrook Lane
Esher
Surrey, KT10 9EG

Nominated Adviser and Broker
finnCap Ltd
1 Bartholomew Close
London EC1A 7BL

Auditors
James Cowper Kreston Audit
Reading Bridge House
George Street
Reading
RG1 8LS

Solicitors
Druces LLP
Salisbury House
London Wall
London EC2M 5PS

Registrars
Share Registrars Limited
3 Millennium Centre
Crosby Way
Farnham
Surrey GU9 7XX

Armadale Capital plc (LON: ACP), the AIM quoted investment group focused on natural resource projects in Africa and the development of the long-life low-cost Mahenge Liandu Graphite Project in Tanzania is pleased to announce its Final Results for the Year Ended 31 December 2022.

Operational and Corporate Highlights for Period Ending 31 December 2022

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

1. In February 2022 the Company applied for three incremental exploration licences which are prospective for graphite mineralisation and materially enhance the Mahenge Liandu Project's exploration potential.
2. In March, the Company, pursuant to environmental compliance requirements of the mining license, successfully completed the installation of a weather station and has commenced the monthly collection of data. The station records data at 5 second intervals and covers all weather parameters including temperature, pressure, wind, moon phase, humidity, solar radiation and rainfall. All data is automatically uploaded to the cloud. This data is critical to establishing the base line information required to assist with the planning of the mining operations on the Project.
3. In addition, the Company has also installed a total of 7 stream gauges and one barotroll in the water streams located at the mine site in March 2022 which will be used for the hydrological studies which will assist in the location and design of infrastructure for the operations. The devices record 3 parameters which are temperature, pressure and depth at 5 second intervals. The data from all devices are being manually downloaded at a frequency rate of once per month.
4. As Part of the ongoing FEED study, the Company cleared pads for geotech drilling at the proposed plant Site and tailing dam location. 10 pads were cleared at the tailing storage facility area and 6 pads were cleared at the plant site area as a part of geotechnical studies and the Company is now preparing for Diamond Drilling in the proposed areas
5. A test pit program has been completed at the proposed plant site, tailing storage facility and the access road areas. A total of 41 test pits with 3 meters depth have been excavated, DCP tested, strata logged, sampled and backfilled. 11 pits have been excavated at plant site, 25 pits excavated at tailing storage facility and 5 pits excavated at the access road to the mine site.
6. The Company was granted the prospecting license PL 119961/ 2022 by the ministry of minerals on 28 June 2022, for the exploration of graphite minerals. The license area comprises of 19.99 square kilometres, located at Isongo and Liandu villages of Ulanga District, in Morogoro Region.
7. Through the year, the Company’s primary focus was on securing project development funding for the Mahenge Liandu Graphite project while advancing the permitting and local community engagement.
8. The Company has received an encouraging level of interest in funding the Mahenge Liandu Graphite project and has advanced its discussions with a number of potential finance partners with respect to securing project development funding.

Post Period End

9. The Company continues to collect environmental baseline data as is required for the compliance of the mining lease and to assist in the design and planning of the proposed mining operations. In addition, the base line data for temperature, pressure, wind, moon phase, humidity, solar radiation, rainfall and stream flow data assists the local community to have access to regional weather data for local planning requirements in the Mahenge region.
10. Planning underway for Geotech drilling, with the sites now prepared for the drill rig. The information from the proposed drilling program will enable the detailed design of the plant and tails storage area. This information will enhance the data from the test pits that were completed last year.
11. Logistics routes for the product continue to be assessed to determine the optimum methods to ensure the final product will enter the market at the desired price level.
12. Discussions are ongoing with the Government of Tanzania regarding the framework for the 16% ownership, with draft Shareholder agreements, Articles of Association and Joint Financial model being submitted to both parties for review.
13. Ongoing review of quoted portfolio, where the Directors believe there are opportunities for capital gains
14. Continue to actively review other exciting investment opportunities.

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

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

Currently, the Company's key actively managed investment is the Mahenge Liandu Graphite Project in Tanzania. At present, the Company is actively marketing the Project to potential industry partners and end users (offtakers) of graphite products. The Company is also pursuing a range of potential options relating to development finance for the project

PASSIVELY MANAGED INVESTMENTS

Mantengu Mining Limited (formerly Mine Restoration Investments Limited) South Africa

The Company's holding of shares in Mantengu Mining Limited ("MML") (formerly Mine Restoration Investments Limited), which were fully written off when MML entered administration, have been reinstated at their fair value of £105,000 following a reverse takeover by MML and a relisting of its shares on the Johannesburg Stock Exchange.

Quoted Portfolio

The Company has a portfolio of quoted investments, valued at £1,245,000 on 4 May 2023, 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.

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:

- Although reducing throughout the year under review, COVID-19 continues to have 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 on the project is so far minimal as the Company's site activities were substantially completed in 2019.
- Through the Mahenge Liandu Graphite Project the Group is very exposed to graphite. Graphite is a relatively new commodity whose market is being driven by demand in renewable energy. The Company believes it is thus vulnerable to changing global energy policies.
- The impact of Brexit on companies operating in the UK is still being monitored. Thus far Brexit has not impacted the Group's ability to raise funds.
- The exploration for and development of mineral resources involves technical risks, infrastructure risks and logistical challenges, which even a combination of careful evaluation and knowledge may not eliminate.
- There can be no assurance that the Group's project will be fully developed in accordance with current plans.
- Future development work and subsequent financial returns arising may be adversely affected by factors outside the control of the Group.
- The availability and access to future funding within the global economic environment.
- The Group operates in multiple national jurisdictions and is therefore vulnerable to changes in government policies which are outside its control. The mining regulation changes in Tanzania are still being evaluated, however they seem to have minimal impact on investment in graphite mining. The Group continues to monitor the implementation of the changes to evaluate and mitigate sovereign risks.

Principal Risks and Uncertainties

- The Group is exposed to gold as the holder of a royalty on gold production from its previously held gold project. The Group's potential future royalty stream will be affected by fluctuations in the prevailing market price of gold and to variations of the US dollar in which gold sales will be denominated.

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.

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 manager 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.

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

There were no changes in the Board during the year under review or post period end. The Board continues to consider potential replacements for former Board members with a focus on a potential appointment of a UK based Board member.

Financial Results

For the year ended 31 December 2022 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 £0.206 million (2021: £0.333 million) for the year ended 31 December 2022. Expenditure on the Mahenge Liandu project during the year amounted to £0.468 million (2021: £0.272 million), which was capitalised as additional exploration and evaluation assets.

Funds raised during the year amounted to £1.3 million from the exercise of warrants and options.

At 31 December 2022, the Group had cash of £1,046,000 (2021: £886,000) and nil debt finance (2020: nil). At 4 May 2023 the Group had cash of £737,000 and listed investments worth £1,245,000.

Outlook

The year under review shows that Mahenge Liandu continues to represent 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. The Directors continue to keep other investment opportunities, in line with the Group's investment objectives, under review, which the board believe could deliver significant value to shareholders.

Nicholas Johansen
Director

11 May 2023

Directors' Report
For the year ended 31 December 2022

The Directors submit their report and the financial statements of Armadale Capital Plc ('Armadale' or the 'Company') for the year ended 31 December 2022.

Results and dividends

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom. The loss of the Group for the year ended 31 December 2022 was £206,000 (2021, £333,000). 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 (2021, £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 is included in the Strategic Report.

Directors

The following Directors have held office during the year:

Nicholas Johansen
Matt Bull

Directors' interests

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

			31 December 2022	31 December 2021
			No:	No:
N Johansen			2,012,122	2,012,122
M Bull			47,783,284	39,931,011

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

			31 December 2022	31 December 2021
			No:	No:
M Bull	(2.2p warrants)		-	7,852,273
M Bull	(3p warrants)		-	1,666,667

The warrants in which the Directors were interested expired during the year.

Substantial shareholdings

At 4 May 2022 the Company was aware of the following interests in 3% or more of the issued share capital of the Company:

Interactive Investor Services Clients	14.1%
Hargreaves Lansdown Clients	13.0%
Halifax Share Dealing Clients	8.5%
Matt Bull	8.1%
UBS Nominees	5.9%
Kabunga Holdings Pty Ltd	5.9%
Barclays Clients	3.4%
IG Markets Clients	3.4%
AJ Bell Clients	3.2%

Issue of Shares

Details of Ordinary Shares issued during the year are set out in note 15 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 16 and 17 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

	2022	2021
	£'000	£'000
N Johansen	30	30
M Bull	93	69
ES Mahede	-	22
A Suedi	-	8

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

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 United Kingdom. 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 United Kingdom, 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.

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 2022, the Group had cash of £1,046,000 (2021, £886,000) and no debt finance (2021, nil).

At 4 May 2023, the Company had cash of £737,000 and listed investments with a traded value of £1,245,000. 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 2022

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 subscribed for 1.6 million shares in Celsius Resources Limited, a company listed on the Alternative Investment Market of the London Stock Exchange, for a consideration of £125,000 in cash.

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
11 May 2023

Independent Auditor's Report to the Shareholders of Armadale Capital Plc
For the year ended 31 December 2022

Opinion

We have audited the financial statements of Armadale Capital Plc (the 'Parent Company') and its subsidiaries (together, the 'Group') for the year ended 31 December 2022 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 United Kingdom 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 2022 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 United Kingdom;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the United Kingdom 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.

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 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 Armadale Capital Plc (Continued)
For the year ended 31 December 2022

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.

<u>Going concern</u>

See relevant section above.

<u>Carrying value of exploration and evaluation assets</u>

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

There are a 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 applications 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 enquires 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 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 Armadale Capital Plc (Continued)
For the year ended 31 December 2022

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 £150,000 and for the parent company financial statements to be £140,000 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 entity in natural resources development and investment, 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 £6,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

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.

Independent Auditor's Report to the Shareholders of Armadale Capital Plc (Continued)
For the year ended 31 December 2022

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the 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.

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 Audit**

Statutory Auditors
Reading Bridge House
George Street
Reading
RG1 8LS

11 May 2023

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	Note	2022	2021
		£'000	**£'000**
Administrative expenses		(309)	(330)
Change in fair value of investments	11	103	8
Operating loss		(206)	(322)
Finance costs		-	(11)
Loss before taxation	5	(206)	(333)
Taxation	8	-	-
Loss after taxation		(206)	(333)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign entities		252	(61)
Total comprehensive profit/(loss) attributable to the equity holders of the parent company		46	(394)
Loss per share attributable to the equity holders of the parent company		Pence	Pence
Basic and diluted loss per share	9	(0.04)	(0.07)

The notes on pages 29 to 48 form part of the financial statements.

Consolidated Statement of Financial Position
At 31 December 2022

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Exploration and evaluation assets	10	5,483	4,727
Investments	11	562	138
		6,045	4,865
Current assets			
Trade and other receivables	12	150	150
Cash and cash equivalents		1,046	886
		1,196	1,036
Total assets		7,241	5,901
Equity and liabilities			
Equity			
Share capital	14	3,324	3,275
Share premium	17	25,153	23,906
Shares to be issued	17	286	286
Share option and warrant reserve	17	362	925
Foreign exchange reserve	17	318	66
Retained earnings	17	(22,279)	(22,636)
Total equity		7,164	5,822
Current liabilities			
Trade and other payables	13	77	79
Total Liabilities		77	79
Total equity and liabilities		7,241	5,901

The notes on page 29 to 48 form part of the financial statements.

Approved by the Board and authorised for issue on 11 May 2023

Signed on behalf of the Board

M Bull
Director

N Johansen
Director

Company Statement of Financial Position
At 31 December 2022

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Investments	11	1,769	1,738
Other receivables	12	4,426	3,460
		6,195	5,198
Current assets			
Trade and other receivables	12	126	136
Cash and cash equivalents		650	562
		776	698
Total assets		6,971	5,896
Equity and liabilities			
Equity			
Share capital	14	3,324	3,275
Share premium	17	25,153	23,906
Shares to be issued	17	286	286
Share option and warrant reserve	17	362	925
Retained earnings	17	(22,228)	(22,553)
Total equity		6,897	5,839
Current liabilities			
Trade and other payables	13	74	57
Total liabilities		74	57
Total equity and liabilities		6,971	5,896

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 £238,000 (2020: £383,000) has been included in the financial statements of the parent company.

The notes on pages 29 to 48 form part of the financial statements.

Approved by the Board and authorised for issue on 11 May 2023

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 2022

	Share Capital	Share Premium	Shares to be issued	Share Option and Warrant Reserve	Foreign Exchange Reserve	Retained Earnings	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2021	**3,208**	**22,348**	**286**	**762**	**127**	**(22,406)**	**4,325**
Loss for the period	-	-	-	-	-	(333)	(333)
Other comprehensive loss	-	-	-	-	(61)	-	(61)
Total comprehensive loss for the year	-	-	-	-	(61)	(333)	(394)
Issue of shares and warrants	67	1,558	-	266	-	-	1,891
Transfer on exercise of warrants	-	-	-	(103)	-	103	-
Total other movements	67	1,558	-	163	-	103	1,891
At 31 December 2021	**3,275**	**23,906**	**286**	**925**	**66**	**(22,636)**	**5,822**
Loss for the period	-	-	-	-	-	(206)	(206)
Other comprehensive income	-	-	-	-	252	-	252
Total comprehensive income for the year	-	-	-	-	252	(206)	46
Issue of shares	**49**	**1,247**	**-**	**-**	**-**	**-**	**1,296**
Transfer on exercise and expiry of warrants	-	-	-	(563)	-	563	-
Total other movements	49	1,247	-	(563)	-	563	1,296
At 31 December 2022	**3,324**	**25,153**	**286**	**362**	**318**	**22,279**	**7,164**

The notes on pages 29 to 48 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 2022

	Share Capital	Share Premium	Shares to be issued	Share Option and Warrant Reserve	Retained Earnings	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2021	**3,208**	**22,348**	**286**	**762**	**(22,273)**	**4,331**
Loss for the period	-	-	-	-	(383)	(383)
Total comprehensive loss for the year	-	-	-	-	(383)	(383)
Issue of shares and warrants	67	1,558	-	266	-	1,891
Release on conversion of loan notes						
Transfer on exercise of warrants	-	-	-	(103)	103	-
Total other movements	67	1,558	-	163	103	1,891
At 31 December 2021	**3,275**	**23,906**	**286**	**925**	**(22,553)**	**5,839**
Loss for the period	-	-	-	-	(238)	(238)
Total comprehensive loss for the year	-	-	-	-	(238)	(238)
Issue of shares	49	1,247	-	-	-	1,296
Transfer on exercise and expiry of warrants	-	-	-	(563)	563	-
Total other movements	49	1,247	-	(563)	563	1,296
At 31 December 2022	**3,324**	**25,153**	**286**	**362**	**(22,228)**	**6,897**

The notes on pages 29 to 48 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 2022

		2022	2021
		£'000	**£'000**
Cash flows from operating activities			
Loss before taxation		(206)	(333)
Adjustment for:			
Change in fair value of investments		(102)	(8)
Finance costs		-	11
		(308)	(330)
Changes in working capital			
Receivables		(11)	1
Payables		12	(39)
Net cash used in operating activities		(307)	(368)
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		(518)	(399)
Purchase of listed investments		(411)	-
Sale of listed investments		89	152
Net cash used in investing activities		(840)	(247)
Cash flows from financing activities			
Proceeds from share issues		1,307	1,249
Net cash from financing activities		1,307	1,249
Net increase in cash and cash equivalents		160	634
Cash and cash equivalents at 1 January		886	252
Cash and cash equivalents at 31 December		1,046	886

The notes on pages 29 to 48 form part of the financial statements.

Company Statement of Cash Flows
For the year ended 31 December 2022

		2022	2021
		£'000	**£'000**
Cash flows from operating activities			
Loss before taxation		(238)	(383)
Adjustment for:			
Impairment charge		241	170
Change in fair value of investments		(120)	(8)
Finance costs		-	11
		(117)	(210)
Changes in working capital			
Receivables		(1)	6
Payables		17	(28)
Net cash used in operating activities		(101)	(232)
Cash flows from investing activities			
Advances to subsidiaries		(1,207)	(825)
Sale of listed investments		89	152
Net cash used in investing activities		(1,118)	(673)
Cash flows from financing activities			
Proceeds from share issues		1,307	1,249
Net cash from financing activities		1,307	1,249
Net increase in cash and cash equivalents		88	344
Cash and cash equivalents at 1 January		562	218
Cash and cash equivalents at 31 December		650	562

The notes on pages 29 to 48 form part of the financial statements.

Notes to the financial statements
For the year ended 31 December 2022

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 United Kingdom.

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 2022, the Group had cash of £1,046,000 (2021, £886,000) and no debt finance (2021, nil).

At 4 May 2023, the Company had cash of £737,000 and listed investments with a traded value of £1,245,000. 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.

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.

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.

2. Accounting policies (continued)

2.6. Foreign currencies (continued)

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.

2.7. 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.

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.

2. Accounting polices (continued)

2.7. Share-based payments (continued)

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.

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.

2. **Accounting polices (continued)**

2.9. Taxation

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax and current tax assets and liabilities are offset when there is a legally enforceable right to set off when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

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

2.10. 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. Accounting polices (continued)

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.

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

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

2. Accounting polices (continued)

2.13. 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.

2.14. 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.

2.15. New accounting standards

There have been no significant changes in accounting standards effective for the year ended 31 December 2022.

A number of amendments to accounting standards have been published that are not yet effective and have not been adopted early. These changes, which are listed below, are not expected to have a material impact on the Group's consolidated financial statements:

Effective for periods commencing on or after 1 January 2023:

- IAS 1 – Presentation of Financial Statements – Disclosure of accounting policies
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of accounting estimates
- IAS 12 – Income Taxes – Deferred tax relates to assets and liabilities arising from a single transaction

2. Accounting polices (continued)

2.15. New accounting standards (continued)

Effective for periods commencing on or after 1 January 2024:

- IAS 1 – Presentation of Financial Statements – Classification of liabilities as current or non-current
- IAS 1 - Presentation of Financial Statements – Non-current liabilities with covenants
- IFRS 16 – Leases – Lease liability in a sale and leaseback

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 13 along with the key assumptions and estimates.

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.

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 15.

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.

4. Financial risk management (continued)

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 12. The Group and Company believe that exposure to market price risk from this activity is acceptable.

Credit risk

The Group's credit risk is primarily attributable to its cash balances. This risk is considered limited because the Group cash is held by reputable institutions. The Group's total credit risk amounts to the total of the sum of receivables and cash. At the year-end this amount was £1,196,000 (2021 - £1,036,000).

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

Financial instruments by category

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables and trade payables and accruals. 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.

4. Financial risk management (continued)

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 most significant items are the exploration and evaluation assets relating to the Group's project in Tanzania amounting to £5,483,000 (2021: £4,727,000). Other than these, the only material asset category was the Group's liquid and near liquid resources, being cash and listed investments, amounting to £1,605,000 (2021, £1,024,000).

5. Loss before tax

This is stated after charging:

	2022	**2021**
	£'000	**£'000**
Directors' emoluments - fees	123	129
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Group and Company financial statements	28	25
Fees payable to the Company's auditors for taxation compliance services	3	3
and after crediting:		
Change in fair value of investments	103	8

6. Employees

	2022	**2021**
The average monthly number of persons (including Directors) employed by the Group and the Company during the year was:		
Management	3	3
Employment costs	**£'000**	**£'000**
Group		
Wages and salaries (including Directors)	136	141
Company		
Wages and salaries (including Directors)	77	50

Of the Group wages and salaries £93,000 (2021: £69,000) has been capitalised as exploration and evaluation expenditure.

7. Remuneration of Directors of the Company

	2022	2021
Aggregate emoluments	123	129

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

8. Taxation

		2022	2021
		£'000	**£'000**
Continuing operations			
Current Tax			
Current tax on loss for the year		-	-
		2022	**2021**
		£'000	**£'000**
Continuing operations			
Factors affecting the tax charge for the year			
Loss on ordinary activities before taxation		(206)	(333)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2021: 19%)		(39)	(63)
Effects of :			
Gains not taxable		(20)	(2)
Losses carried forward not recognised as a deferred tax asset		59	65
UK Corporation Tax		-	-

A deferred tax asset of approximately £2,338,000 (2021: £2,279,000) has not been recognised owing to the uncertainty over the timing of future recoverability. The Group has total carried forward tax losses of £9,422,000 (2021: £9,113,000). The headline rate of UK Corporation Tax increased to 25% from April 2023.

9. Loss per share

The calculation of total loss per share is based on a loss of £206,000 (2021: £333,000), and on 574,589,300 Ordinary Shares (2021: 505,019,431), being the weighted average number of Ordinary 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.

10. Exploration and evaluation assets

Group	**2022**	**2021**
	£'000	**£'000**
Cost		
At 1 January	4,727	4,417
Exchange movements	288	38
Additions	468	272
At 31 December	5,483	4,727

Included in additions are capitalised finance costs of nil (2021: £24,000).

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

11. Investments

Non-current asset investments - Group	
	Listed investments
Fair value	**£'000**
At 1 January 2021	282
Disposals	(111)
Decrease in fair value	(33)
At 31 December 2021	138
Additions	411
Disposals	(52)
Increase in fair value	65
At 31 December 2022	562

11. Investments (continued)

The listed investments are:

The Company's investment acquired in 2019 of, originally, 2 million common shares of Forum Energy Metal Corp, incorporated in Canada and listed on the Toronto Stock Exchange. During the year, 550,000 (2021, 529,500) of these shares were sold, realising a profit on original cost of £72,000 (2021, £137,000).

The Company's holding of 228.5 million shares of Montengu Mining Limited (formerly Mine Restoration Investments Limited), formerly written off when the company entered administration, but now reinstated at fair value following a reverse takeover by the company and its relisting on the Johannesburg Stock Exchange.

A holding, acquired during the year by the Company's wholly–owned subsidiary Graphite Advancements Pty Ltd, of 4.5 million shares of Lindian Resources Limited, listed on the Australian Stock Exchange, for a consideration of A$729,000 (approximately £411,000) in cash.

Non-current asset investments - Company			
	Subsidiaries (at cost)	**Listed Investments (at fair value)**	**Total**
	£'000	**£'000**	**£'000**
At 1 January 2021	1,600	282	1,882
Disposals	-	(111)	(111)
Decrease in fair value	-	(33)	(33)
At 31 December 2021	1,600	138	1,736
Disposals	-	(52)	(52)
Increase in fair value	-	83	83
At 31 December 2022	1,600	169	1,769

The subsidiary companies are:

Name and nature of business	**Registered Office**	**Class of shares**	**% held**
Graphite Advancements Pty Ltd (intermediate holding company)	216 St Georges Terrace, Perth, WA 6000, Australia	Ordinary	100
Armadale Graphite Pty Ltd (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
Battery Graphite Resources Limited† (mining project operator)	PO Box 105589, Dar es Salaam, Tanzania	Ordinary	100

*Held through Graphite Advancements Pty Ltd

† Held through Armadale Graphite Pty Ltd

11. Investments (continued)

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.

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 15 for more details on share consolidation and restructure

12. Trade and other receivables

Group		**2022**	**2021**
		£'000	**£'000**
Other receivables		150	150
Total current receivables		150	150
Company			
Amounts owed by group undertakings		5,532	4,325
Provision for impairment		(1,106)	(865)
		4,426	3,460
Other receivables		126	136
Total current receivables		4,552	3,596

12. 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 £241,000 (2021: £170,000) has been recognised under the expected credit loss model resulting in an accumulated provision of £1,106,000 (2021: £865,000).

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.

13. Trade and other payables

Group		**2022**	**2021**
		£'000	**£'000**
Trade payables		8	22
Other creditors and accruals		69	57
		77	79
Company			
Trade payables		8	6
Other creditors and accruals		66	51
		74	57

All trade and other payables are due within three months.

Notes to the financial statements (continued)
For the year ended 31 December 2022

14. Share capital

	Ordinary Shares of 0.01p/0.1p each*		Deferred Shares of 0.14p each		Deferred Shares of 1.4p each		Total
	Number	£'000	Number	£'000	Number	£'000	£'000
At 1 January 2021	471,810,357	472	1,531,374,350	2,144	42,260,533	592	3,208
Issue of shares:							
Placings	18,888,889	19	-	-	-	-	19
On exercise of warrants	17,369,430	17	-	-	-	-	17
On conversion of loan notes	30,592,250	31	-	-	-	-	31
At 31 December 2021	538,660,926	539	1,531,374,350	2,144	42,260,533	592	3,275
Issue of shares:							
On exercise of warrants	48,868,969	49	-	-	-	-	49
At 31 December 2022	587,529,895	588	1,531,374,350	2,144	42,260,533	592	3,324

*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.

During the year warrants to subscribe for 48,868,969 Ordinary Shares were exercised raising £1,296,000 in total. Details of warrants are in note 16.

15. Warrants to subscribe for Ordinary Shares

In connection with the placing of Ordinary Shares in February 2019, 72,297,728 warrants to subscribe for Ordinary 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. Outstanding unexercised warrants have reached their expiry date and lapsed.

In connection with the placing of Ordinary Shares in September 2019, 27,777,778 warrants to subscribe for Ordinary 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. Outstanding unexercised warrants have reached their expiry date and lapsed.

In connection with the placing of Ordinary Shares in April 2020, 24,444,444 warrants to subscribe for Ordinary 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. Outstanding unexercised warrants have reached their expiry date and lapsed.

In connection with the placing of Ordinary Shares in May 2021, 18,888,889 warrants to subscribe for Ordinary Shares in the Company were issued (one for each share placed) at a price of 7.0p per share with a life to expiry of three years.

A summary of outstanding warrants is as follows

	February 2019 Warrants (2.2p)	**September 2019 Warrants (3.0p)**	**April 2020 Warrants (3.25p)**	**April 2021 Warrants (7.0p)**	**Total**
At 1 January 2021	43,069,623	27,777,778	24,444,444	-	95,291,845
Issued	-	-	-	18,888,889	18,888,889
Exercised	(12,536,098	(1,499,999	(3,333,333)	-	(17,369,430
At 31 December 2021	30,533,525	26,277,779	21,111,111	18,888,889	96,811,304
Exercised	(27,591,193)	(833,333)	20,444,443	-	(48,868,969)
Expired	(2,942,332)	(25,444,446)	(666,668)	-	(29,053,446)
At 31 December 2022	-	-	-	18,888,889	18,888,889*

* representing 3.21% (2021: 17.9%) of the issued share capital of the Company

16. Share based payment arrangements

A summary of outstanding options is as follows:

	Exercise price	At 1 January 2021 and 31 December 2021	Lapsed	At 31 December 2022
Former Director				
P Johnson				
Granted 11.03.19	2.2p	5,000,000	(5,000,000)	-
Consultants				
Granted 01.10.13	15p	66,667	-	66,667
Granted 19.11.14	15p	300,000	-	300,000
		5,366,667	(5,000,000)	3,366,667*

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 0.1% (2021: 1.0%) of the issued share capital of the Company

All the outstanding options held at the year-end were exercisable at an exercise price of 15p (2021: weighted average exercise price of 3p).

The outstanding options have a life of 10 years and are time based with no other conditions.

17. 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 25 and 26.

18. Related party transactions

In respect of the Company, amounts, net of provisions, due from subsidiary undertakings were £4,426,000 (2021: £3,460,000), the movement being amounts lent to the subsidiaries less an increase in provisions.

19. Ultimate controlling party

There was no ultimate controlling party during the year.

20. Subsequent events

Since the year end, the Company has subscribed for 1.6 million shares in Celsius Resources Limited, a company listed on the Alternative Investment Market of the London Stock Exchange, for a consideration of £125,000 in cash.