

16 September 2019

Armadale Capital Plc ('Armadale' or 'the Company')

Interim Results

Armadale Capital plc (LON: ACP), the AIM quoted investment group focused on natural resource projects in Africa, is pleased to announce its unaudited interim results for the six months ended 30 June 2019.

Highlights:

- Primary focus on the rapid advancement of 100% owned Mahenge Liandu Graphite Project in Tanzania ("Mahenge Liandu" or the "Project") and as announced on 29 May 2019, the accelerated transition from explorer to emerging miner;
- In February 2019, a Memorandum of Understanding ("MOU") was signed for the proposed offtake of 30,000tpa of graphite concentrate produced at Mahenge Liandu for an initial five-year term at a price to be agreed based on the Chinese benchmark for the quality of the graphite produced, representing over 60% of average target annual production;
- Project Definitive Feasibility Study ("DFS") under preparation in the period and post period end and on track for completion in Q4 2019;
- Reverse circulation assays received in the period and post period end, showing high grade Total Graphitic Carbon ("TGC") up to 22.8% from near surface, notably in respect of the area expected to be the focus for initial mining;
- Metallurgical test work undertaken in the period showed highly positive outcomes post period end with up to 97.1% purity for large and medium flake fractions, with downstream test work now underway and focused on production of battery cells, a key data point for prospective Chinese offtake partners;
- DFS will incorporate recently received high grade assay data and positive metallurgical test results to deliver a DFS building on the robust economic fundamentals delivered through Scoping Study in March 2018 which included:
 - NPV of US\$349 million
 - IRR of 122%
 - Payback of 1.2 years
 - Low capex of US\$35 million
- Strategic financing undertaken in February 2019 raising £795,275 for continuation of DFS preparatory activities and Paul Johnson (former CEO of Metal Tiger plc (LON:MTR) and current CEO of Power Metal Resources plc (LON:POW)) appointed to the Armadale board in March 2019 as Non-executive director;
- Multiple work streams underway at the end of the interim period, currently including resource update, mine/plant design and commercial discussions with prospective Chinese offtake and project level construction finance partners.

Nick Johansen Director of Armadale said: *“The first half of 2019 has seen us increasingly demonstrate Armadale’s transition from explorer to emerging miner. At the centre of this has been the development of our wholly owned Mahenge Liandu Graphite Project towards production via the advancement of the DFS. Upon completion, we expect the DFS to confirm the compelling economics of the Project, which has an NPV, per the 2018 Scoping Study, of US\$349m and an IRR of 122%.*

“The robust Project economics are underpinned by the strengthening graphite market with growth in demand being driven by burgeoning lithium ion battery and expandable markets. In line with this, several Tanzanian based graphite projects have secured binding offtake agreements during 2019, which has increased our confidence as we accelerate our commercialisation plans. We have secured an MOU for the proposed offtake of 30,000tpa of graphite concentrate and we continue to progress towards binding agreements and securing an offtake for the remaining 19,000tpa.

“Our commercialisation plans have been aided by high grade assay data and positive metallurgical test-work results received during the period and post-period end, which demonstrate exceptionally high-grade near surface assayed intercepts and confirm that high-quality graphite concentrate of up to 97.1% can be produced.

“Importantly, the high-grade assays, and metallurgical test results have provided critical data for resource modelling and optimal mine design, which we are now focused on as we move towards completion of the Project DFS and toward the mine financing and construction phase.

“I look forward to providing further updates as we progress.”

Directors’ Statement

The six-month period to 30 June 2019 has seen considerable advancement of the Mahenge Liandu Graphite Project in Tanzania (“Mahenge Liandu” or the “Project”), with notable progress made on the various work streams to support the completion of the Definitive Feasibility Study (“DFS”). The DFS is focused on defining graphite product quality with a wide diameter diamond core drilling programme aimed at generating samples for marketing.

In line with this, the Company has undertaken an 18-hole reverse circulation (“RC”) drill programme focused on the planned initial mine pit to improve mineralisation definition, provide critical data for resource modelling and to allow detailed mine planning that will be used in the DFS. The results on the infill drilling have confirmed exceptionally high-grade near surface assayed intercepts including 7m @ 16.9% total graphite content (“TGC”) from 31m; 7m @ 16.8% TGC from surface and 9m @ 14.8% TGC from surface. These results are part of wide high-grade intercepts including 39m @ 11.2% TGC from surface, 57m @ 7.6% TGC from surface, and 63m @ 8% TGC from 12m. Further extremely high-grade results were received post-period end, which collectively impact favourably on the Project’s economics and commercialisation plans, implying higher average grade from near surface mining in early years, lower extradition costs and potential for enhanced EBITDA margins.

In support of this and further reinforcing and validating the Project's robust economics, the metallurgical test-work programme on representative diamond drill core composites was completed post-period end, with the final assay results definitively confirming high-quality graphite concentrate of up to 97.1%. Following completion of this metallurgical test-work, the Company has moved into plant design work. This is the next critical phase in the Project's development and includes work on designing a process flowsheet and a mine site layout with locations for the plant, tailings dam, access roads and camp layout already largely defined.

The metallurgical-test results aid discussions with the Company's prospective Chinese off-take and project finance partners. In February this year, an MOU was announced with the Matrass Group, a China based graphite mining and processing company for high quality graphite products produced at Mahenge Liandu. The MOU includes a proposed offtake of 30,000tpa of graphite concentrate for an initial five-year term, representing over 60% of average target annual production. Key meetings to progress to binding agreements and for the remaining 19,000tpa of graphite concentrate are taking place supported by positive results the Project continues to produce.

Other work streams to support the DFS are progressing. The Environmental and Social Impact Assessment Report and Relocation Action Plan was finalised with favourable results. Other activities include moving towards granting of a mining permit and calculation of Proved and Probable Reserves, with work underway on both elements at present.

Whilst the completion of the DFS and the subsequent advancement of Mahenge Liandu into production is the Company's primary focus, the Board continues to review additional investment opportunities and also holds a portfolio of quoted investments where the Board considers there is an opportunity for material capital appreciation. The Board may invest in additional opportunities, in line with its investing policy, with any material investments notified to the market as appropriate.

In addition, in January 2019, Armadale entered into an agreement with African Royalty Company Pty Limited, a related company to Arrow Mining Pty Ltd, for the sale of the Mpokoto Gold Project. Under the terms, the Company will receive a 1.5% royalty on gold sales achieved once the project is in production, ensuring Armadale retains exposure to the development upside. Additionally, Armadale continues to maintain an ongoing review of other company and project level investments that may complement its existing portfolio.

The Company raised £795,275 during the period to complete the DFS. The Company operates a controlled management of working capital and runs a tight cash balance and finished the period with £42,000 cash at hand. Additional sources of working capital are available to the Company as required to meet business expenditure and the Company will need to raise further working capital to implement its plans for Mahenge Liandu. The Company is in receipt of several offers in this regard and is confident that it will be able to access further funds in short order.

The Directors would like to take this opportunity to thank shareholders for their ongoing support and commitment and look forward to providing further updates as the Company continues to advance

Mahenge Liandu towards production, realising its increasingly demonstrable potential and building value for shareholders.

For and on behalf of the Board

15 September 2019

FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2019

	Unaudited	
	Six months ended	
	30 June	30 June
	2019	2018
	£'000	£'000
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses	(187)	(218)
Share based payment charges	(21)	-
Release of exchange gains on overseas operation (note 3)	240	-
Finance costs	(8)	(7)
Profit/(loss) before tax	24	(225)
Taxation	-	-
Profit/(loss) after tax attributable to equity holders of the parent company	24	(225)
Profit/(loss) after taxation	24	(225)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign entities	26	14
Total comprehensive income/(loss) attributable to equity holders of the parent company	50	(211)
	Pence	Pence
Earnings/(loss) per share attributable to equity holders of the parent company (note 4)		
<i>Basic</i>	0.01	(0.08)
<i>Fully diluted</i>	0.01	(0.08)

Consolidated Statement of Financial Position
At 30 June 2019

	Unaudited		Audited
	30 June	30 June	31 December
	2019	2018	2018
	£'000	£'000	£'000
Assets			
Non-Current assets			
Exploration and evaluation assets	3,457	2,735	3,193
Investments	60	7	1
	<u>3,517</u>	<u>2,742</u>	<u>3,194</u>
Current assets			
Trade and other receivables	92	121	53
Cash and cash equivalents	42	394	45
	<u>134</u>	<u>515</u>	<u>98</u>
Non current assets classified as held for sale	-	322	128
	<u>134</u>	<u>837</u>	<u>226</u>
Total assets	<u>3,651</u>	<u>3,579</u>	<u>3,420</u>
Equity and liabilities			
Equity			
Share capital (note 5)	3,111	3,038	3,038
Share premium	21,160	20,570	20,570
Shares to be issued	286	286	286
Share option reserve	116	95	95
Foreign exchange reserve	208	352	422
Retained earnings	(22,106)	(21,707)	(22,130)
Total equity	<u>2,775</u>	<u>2,634</u>	<u>2,281</u>
Current liabilities			
Trade and other payables	180	161	334
Loans	696	453	677
	<u>876</u>	<u>614</u>	<u>1,011</u>
Liabilities directly associated with non-current assets held for sale	-	128	128
	<u>876</u>	<u>742</u>	<u>1,139</u>
Non-current liabilities			
Long term borrowings	-	203	-
Total liabilities	<u>876</u>	<u>945</u>	<u>1,139</u>
Total equity and liabilities	<u>3,651</u>	<u>3,579</u>	<u>3,420</u>

Unaudited Consolidated Statement of Changes in Equity
For the period ended 30 June 2019

	Share Capital £'000	Share Premium £'000	Shares to be Issued £'000	Share Option Reserve £'000	Foreign Exchange Reserve £'000	Retained Earnings £'000	Total £'000
Balance 1 January 2018	2,980	19,720	286	95	338	(21,482)	1,937
Loss for the period	-	-	-	-	-	(225)	(225)
Other comprehensive income	-	-	-	-	14	-	14
Total comprehensive loss for the period	-	-	-	-	14	(225)	(211)
Issue of shares	58	905	-	-	-	-	963
Expenses of issue	-	(55)	-	-	-	-	(55)
Total other movements	58	850	-	-	-	-	908
Balance 30 June 2018	3,038	20,570	286	95	352	(21,707)	2,634
Loss for the period	-	-	-	-	-	(423)	(423)
Other comprehensive income	-	-	-	-	70	-	70
Total comprehensive loss for the period	-	-	-	-	70	(423)	(353)
Balance 31 December 2018	3,038	20,570	286	95	422	(22,130)	2,281
Profit for the period	-	-	-	-	-	24	24
Other comprehensive income	-	-	-	-	26	-	26
Total comprehensive income for the period	-	-	-	-	26	24	50
Issue of shares	73	722	-	-	-	-	795
Expenses of issue	-	(132)	-	-	-	-	(132)
Release on disposal of overseas operation	-	-	-	-	(240)	-	(240)
Share based payment charges	-	-	-	21	-	-	21
Total other movements	73	590	-	21	(240)	-	444
Balance 30 June 2019	3,111	21,160	286	116	208	(22,106)	2,775

The following describes the nature and purpose of each reserve within shareholders' 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, less issue expenses
Shares to be issued	Value of share capital to be issued in connection with the acquisition of Netcom
Share option reserve	Reserve for share options granted but not exercised
Foreign exchange reserve	Gains/losses arising on translating the net assets of overseas operations into sterling
Retained earnings	Cumulative gains and losses recognised in the statement of comprehensive income

Consolidated Statement of Cash Flows
For the period ended 30 June 2019

	Unaudited Six Months ended	Audited Year ended	
	30 June 2019	30 June 2018	
	£'000	£'000	
		31 December 2018 £'000	
Cash flows from operating activities			
Profit/(loss) before taxation	24	(225)	(648)
Unrealised foreign exchange differences	-	14	-
Foreign exchange release on disposal of overseas operation	(240)	-	-
Impairment charge	-	-	195
Finance costs	7	22	18
Share based payment charge	21	-	-
	<u>(188)</u>	<u>(189)</u>	<u>(435)</u>
Changes in working capital			
Receivables	(38)	(67)	(1)
Payables	(133)	27	98
Net cash used in operating activities	<u>(359)</u>	<u>(229)</u>	<u>(338)</u>
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	(162)	(350)	(224)
Purchase of listed investments	(59)	-	-
Sale of listed investments	-	-	6
Net cash used in investing activities	<u>(221)</u>	<u>(350)</u>	<u>(218)</u>
Cash flows from financing activities			
Proceeds from share placement	709	938	560
Issue costs	(132)	(30)	(25)
Net cash from financing activities	<u>577</u>	<u>908</u>	<u>535</u>
Net (decrease)/increase in cash and cash equivalents	(3)	329	(21)
Cash and cash equivalents at 1 January 2019	<u>45</u>	<u>65</u>	<u>66</u>
Cash and cash equivalents at 30 June 2019	<u>42</u>	<u>394</u>	<u>45</u>

**Notes to the unaudited condensed consolidated financial statements
For the period ended 30 June 2019**

1. Incorporation and principal activities

Country of incorporation

Armadale Capital Plc was incorporated in the United Kingdom as a public limited company on 19 August 2005. Its registered office is 1 Arbrook Lane, Esher, Surrey, KT10 9EG.

Principal activities

The principal activity of the Group during the period was that of an investment company.

2. Accounting policies

2.1. Statement of compliance

The financial information for the six months ended 30 June 2019 and 30 June 2018 is unreviewed and unaudited and does not constitute the Group's statutory financial statements for those periods within the meaning of Section 434 of the Companies Act 2006. The comparative financial information for the year ended 31 December 2018 has been derived from the Annual Report and Accounts, which were approved by the Board of Directors on 23 May 2019 and delivered to the Registrar of Companies. The report of the Auditors on those accounts was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

This condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. This condensed set of financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2018 as described in those annual financial statements.

In respect of new financial reporting standards which came into effect for reporting periods beginning on 1 January 2019, the Directors consider that their implementation has no material effect on the financial information presented in this statement.

2.2. Going Concern

The financial statements have been prepared on the going concern basis as, in the opinion of the Directors, there is a reasonable expectation that the Group will continue in operational existence for the foreseeable future. The Company's ability to continue as a going concern and to achieve its long-term strategy of developing its exploration projects is dependent on the extension and/or conversion of its loan notes and further fundraising.

2.3. Exploration and evaluation assets

These assets are recorded at cost and are amortised over their expected useful life on a pro rata basis of actual production for the period to expected total production.

2.4. Investments

Investments are stated at cost less provision for impairment.

3. Release of exchange gains on overseas operation

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.

4. Loss per share

The calculation of basic earnings per share is based on a profit of £24,000 (2018, loss of £225,000) and on 352,164,475 (2018, 271,094,748) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

The calculation of fully diluted earnings per share is based on 406,666,587 diluted shares, being the weighted average number of diluted shares during the period. In 2018, there was no difference between basic loss per share and diluted loss per share as the Group reported a loss for the period.

5. Share capital

During the period, the Company placed 72,297,728 Ordinary Shares in the Capital of the Company to raise £795,000 (before expenses) with institutional and other investors.

****ENDS****

For further information, please visit the Company's website www.armadalecapitalplc.com, follow Armadale on Twitter @ArmadaleCapital or contact:

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Notes

Armadale Capital Plc is focused on investing in and developing a portfolio of investments, targeting the natural resources and/or infrastructure sectors in Africa. The Company, led by a team with operational experience and a strong track record in Africa, has a strategy of identifying high growth businesses where it can take an active role in their advancement.

The Company owns the Mahenge Liandu graphite project in south-east Tanzania, which is now its main focus. The Project is located in a highly prospective region with a high-grade JORC compliant inferred mineral resource estimate of 51.1Mt @ 9.3% TGC. Marking the project one of the largest high-grade resources in Tanzania, and work to date has demonstrated Mahenge Liandu's potential as a commercially viable deposit with significant tonnage, high-grade coarse flake and near surface mineralisation (implying a low strip ratio) contained within one contiguous ore body.

In addition to this project, Armadale has a portfolio of quoted investments.