Armadale Capital Plc / Index: AIM / Epic: ACP / Sector: Investment Company

26 September 2017

Armadale Capital Plc
(‘Armadale’ the ‘Company’ or the ‘Group’)
Interim Results

Armadale, the AIM quoted investment company focused on natural resource projects in Africa, is pleased to announce its interim results for the six months ended 30 June 2017.

Overview

- Primary focus on advancing the high grade Mahenge Liandu Graphite Project in Tanzania (‘Mahenge Liandu’ or ‘the Project’)
- High concentrate grades of up to 99.1% TGC produced using low-cost processing methods
- Resource upgrade and increase targeted by the end of 2017 to build upon current resource of 40.9Mt @ 9.41% Total Graphitic Carbon
- Excellent flake size distribution and graphite expandability underpins the Project’s commercial viability and amenability to range of applications, including the high growth battery market
- Additional upside available from the Mpokoto Gold Project in the DRC which is being advanced as part of a Joint Venture Agreement
- Active growth strategy – committed to identifying and investing in African resource projects, which offer prospective upside opportunity

Nicholas Johansen, Director of Armadale, said: “Armadale continues to make excellent progress in proving up the commercial viability of our 100% owned Mahenge Liandu graphite project in Tanzania, which is currently our primary development focus within our investment portfolio. Our exploration work in the first half of 2017 has added significant value to the Project, proving that a high-quality graphite concentrate can be produced using relatively simple and ultimately low-cost processing methods. We look forward to building upon these results through an upgrade to both the size and confidence level of the deposit with a resource update targeted later this year. In addition to this being an important step in the overall development of this asset, we also hope this will provide investors with a tool through which to more accurately value Armadale, particularly when comparing our asset to other graphite companies, including neighbouring peers and those listed on the ASX.

“Based on the results received to date, we believe Mahenge Liandu has the potential to produce a high quality, commercial graphite concentrate, which should be suitable for a number of applications, including the fast-growing battery market. Accordingly, we remain committed to the continued advancement of Mahenge Liandu as we establish it as a significant new graphite discovery. Alongside this, we continue to follow the progress of development work being undertaken by our Joint Venture partner at the Mpokoto Gold Project in the DRC, and we maintain an active growth strategy in line with our commitment to build value for shareholders.”

Directors' Statement

The six months ended 30 June 2017 have been a productive time for Armadale, which highlighted the Company's ability to execute on its strategic development objectives whilst maintaining a low-cost expenditure model. Our primary focus during the period has been on advancing the Mahenge Liandu Graphite Project in Tanzania, which we believe offers significant value upside potential thanks to its high-grade resource and low-cost processing requirement.

Having declared a maiden resource of 40.9Mt @ 9.41% Total Graphitic Carbon ('TGC') in December 2016, our work efforts during 2017 have centred on further proving up the resource potential of the Project, and we are pleased to report on the success of this strategy.

Looking first at the metallurgical test work we have undertaken during the period, we have successfully produced high concentrate grades of up to 99.1% TGC with low levels of potentially deleterious elements without the use of toxic industrial chemicals. Indeed, the process used to return these grades involved a conventional crushing and flotation circuit, indicating that concentrates of excellent quality can be produced with relatively low processing cost, which should positively impact opex and capex moving forward.

Crucially, during the metallurgical test work, excellent flake size distributions were maintained, with ~75% in the higher value sizes above 106µ. It is the larger flake graphite that is most desirable, as this is widely used in the rapidly expanding technology sector and battery market. Of course, whilst flake size is important, it must also be expandable. Thankfully, test work undertaken during the period confirmed the expandability of the graphite mineralisation at Mahenge Liandu, with expansion up to 480 cm^3/g reported. With expandability, the range of potential commercial applications increases.

In addition to proving the quality of the resource, the size is also critical. Post period end in August 2017 we completed the first phase of a drill programme, designed to upgrade and expand the existing JORC compliant inferred mineral resource estimate. 2,500m reverse circulation drill holes were completed, which led to the discovery of a 1,200m mineralised strike, with 24 of the 25 holes intersecting at or near surface mineralisation. Alongside this drill work, geological mapping discovered additional areas of graphite mineralisation previously untested. Whilst we await the full results from the drill campaign, a preliminary on-site review of the drilling and mapping gives management confidence that an increase in the resource size and category will be achieved. To deliver this, we plan to undertake a second drill programme over a strike length of 2,400m. This is targeted to commence early next year and we hope to deliver an upgraded resource by the end of the year.

Aside from current operational activity, investors should be aware of the recent legislative changes in Tanzania that have recently become effective – being the Written Laws (Miscellaneous Amendments) Act 2017, the Natural Wealth and Resources (Permanent Sovereignty) Act and the Natural Wealth and

Resources Contracts (Review and Re-negotiation of Unconscionable Terms) Act 2017. The Board will continue to consider these laws as part of its assessment of the overall viability of Mahenge Liandu, but given that the Project is currently at the exploration level and accordingly does not have a mining licence, there is currently no change to the economic prospectivity of the Project as the legislative changes – as currently passed by the Tanzanian parliament – would not prevent Armadale from progressing with its current business strategy and plans for the development of the Project. Armadale will continue to monitor the implementation of these legislative changes by the Tanzanian Government and where appropriate, engage with the Tanzanian government to ensure the best outcome for both the Government and the Company.

Whilst Mahenge Liandu is our current primary operating focus, we are an investment company and accordingly are committed to the development of our wider portfolio.

Armadale's secondary investment, the Mpokoto Gold Project, which is located in the Democratic Republic of Congo ('Mpokoto') is managed by our partners, Kisenge Mining Pty Ltd ("KMP"), in a joint venture agreement whereby KMP has the option to earn up to an 85% interest (through a two-phase process) in the project through providing funding and projected related services in exchange for advancing the project to a number of development milestones.

Phase I of the joint venture agreement will enable KMP to earn an initial 25% interest by investing up to US$1.25m in the project. This will include undertaking incremental metallurgical test-work, refining the current Definitive Feasibility Study ('DFS') to incorporate financing the project and initial capital works. Over the past six months, KMP has continued to focus on completing a gap analysis of the project data to determine the required steps to bring Mpokoto into production as soon as possible. In addition, KMP has continued to reassess the Mpokoto project with a view to significantly reducing the capex requirements, and this may include adopting a staged production plan. We continue to follow KMP's progress and will keep shareholders updated with progress reports as and when we receive them from KMP.

Armadale also continues to hold a historic interest in Mine Restoration Investments Ltd, which the Board is seeking to divest as we believe this holding is no longer complementary to our investment portfolio. Despite this divestment, we continue to maintain an active growth strategy to identify and invest in African resource projects, which we believe have the potential to offer incremental value in accordance with our stated investing policy.

In terms of corporate matters, Armadale continues to assess opportunities to bring experienced individuals into Armadale's management team, particularly in the role of a UK-based executive, to bolster Armadale's corporate presence in London. The directors hope to be able to update shareholders in the near future.

Cash at the period end stood at £292k and the Company continues to manage its cash resources carefully. Armadale is constantly reviewing its capital requirements and is in advanced dialogue with potential sources of finance that will ease the cash constraints on the Company. While there can be no guarantee that such negotiations will be concluded successfully or that any cash will be forthcoming, the Board is confident that it has sufficient support from its major stakeholders and other interested parties to continue its operations over the coming year and beyond.

Finally, we would like to take this opportunity to express our optimism for the future opportunities ahead. Mahenge Liandu continues to exceed our expectations and distinguish itself as a quality graphite project, with the potential to produce a concentrate that we believe will be highly sought after by end customers. With favourable market dynamics thanks to the growing demand for technology metals such as graphite due to developments within the industry, such as the rise of electric vehicles, we believe this is a strategic time to be advancing a project such as Mahenge Liandu and accordingly are keen to prove up the Project's commercial potential. With an active development strategy in place, which should result in a resource upgrade later this year, we look forward to the growth opportunities ahead.

The directors would like to take this opportunity to thank our shareholders, employees and partners for their on-going support and commitment to date in 2017.

For and on behalf of the Board
25 September 2017

FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017

	Unaudited Six months ended 30 June 2017 £'000	**Unaudited Six months ended 30 June 2016 £'000**	**Audited Year Ended 31 December 2016 £'000**
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Administrative expenses	(252)	(350)	(691)
Impairment of investments	-	71	(301)
Profit on disposal of investments	-	-	82
Finance costs	(14)	-	(12)
Loss before tax	(266)	(279)	(922)
Taxation	-	-	-

Loss after tax attributable to equity holders of the parent company	(266)	(279)	(922)

Loss after taxation	(266)	(279)	(922)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign entities	9	202	1,017
Total comprehensive loss attributable to the equity holders of the parent company	**(257)**	**(77)**	**95**

	Pence	**Pence**	**Pence**
Loss per share attributable to equity holders of the parent company (note 3)	(0.11)	(0.29)	(0.62)
Basic and fully diluted			

Consolidated Statement of Financial Position
At 30 June 2017

	Unaudited		Audited
	30 June 2017 £'000	30 June 2016 £'000	31 December 2016 £'000
Assets			
Non-Current assets			
Exploration and evaluation assets	9,056	5,591	8,779
Property, plant and equipment	14	20	16
Investments	7	45	7
	9,077	5,656	8,802
Current assets			
Investment	-	257	-
Trade and other receivables	184	423	160
Cash and cash equivalents	292	614	116
	476	1,294	276
Total assets	**9,553**	**6,950**	**9,078**
Equity and liabilities			
Equity			
Share capital (note 4)	2,978	2,876	2,946
Share premium	19,686	17,559	19,010
Shares to be issued	286	286	286
Share option reserve	94	182	86
Loan note reserve	37	-	37
Foreign exchange reserve	1,119	295	1,110
Retained earnings	(15,608)	(14,830)	(15,342)
Total equity	**8,592**	**6,368**	**8,133**
Current liabilities			
Trade and other payables	552	582	495
Loan notes	409	-	**450**
	961	**582**	**945**
Total equity and liabilities	**9,553**	**6,950**	**9,078**

Unaudited Consolidated Statement of Changes in Equity
For the period ended 30 June 2017

	Share Capital £'000	Share Premium £'000	Shares to be Issued £'000	Share Option Reserve £'000	Loan Note Reserve £'000	Foreign Exchange Reserve £'000	Retained Earnings £'000	Total £'000
Balance 1 January 2016	**2,824**	**16,585**	**286**	**182**	**-**	**93**	**(14,551)**	**5,419**
Loss for the period	-	-	-	-	-	-	(279)	(279)
Other comprehensive income	-	-	-	-	-	202	-	202
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**202**	**(279)**	**(77)**
Issue of shares	52	1,074	-	-	-	-	-	1,126
Expenses of issue	-	(100)	-	-	-	-	-	(100)
Total other movements	**52**	**974**	**-**	**-**	**-**	**-**	**-**	**1,026**
Balance 30 June 2016	**2,876**	**17,559**	**286**	**182**	**-**	**295**	**(14,830)**	**6,368**
Loss for the period	-	-	-	-	-	-	(642)	(642)
Other comprehensive income	-	-	-	-	-	815	-	815
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**815**	**(642)**	**173**
Issue of Shares	70	1,467	-	-	-	-	-	1,537
Expenses of issue	-	(16)	-	-	-	-	-	(16)
Share based payment charges	-	-	-	34	-	-	-	34
Transfer on expiry of options	-	-	-	(130)	-	-	130	-
Equity element of convertible loan notes issued	-	-	-	-	37	-	-	**37**
Total other movements	**70**	**1,451**	**-**	**(96)**	**37**	**-**	**130**	**1,592**
Balance 31 December 2016	**2,946**	**19,010**	**286**	**86**	**37**	**1,110**	**(15,342)**	**8,133**
Loss for the period	-	-	-	-	-	-	(266)	(266)
Other comprehensive income	-	-	-	-	-	9	-	9
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**9**	**(266)**	**(257)**
Issue of shares	32	737	-	-	-	-	-	769
Expenses of issue	-	(61)	-	-	-	-	-	(61)
Share based payment charges	-	-	-	8	-	-	-	8
Total other movements	32	676	-	8	-	-	-	716
Balance 30 June 2017	**2,978**	**19,686**	**286**	**94**	**37**	**1,119**	**(15,608)**	**8,592**

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 expenses	Amount subscribed for share capital in excess of nominal value, net of allowable
Shares to be issued	Value of share capital to be issued in connection with the acquisition of Netcom
Share option reserve	Reserve for share options granted but not exercised
Foreign exchange reserve	Gains/losses arising on re-translating the net assets of overseas operations into sterling
Retained earnings	Cumulative net gains and losses recognised in the statement of comprehensive income

Consolidated Statement of Cash Flows
For the period ended 30 June 2017

	Unaudited Six Months ended 30 June 2017 £'000	Unaudited Six Months ended 30 June 2016 £'000	Audited 31 December 2016 £'000
Cash flows from operating activities			
Loss before taxation	(266)	(279)	(922)
Depreciation	2	6	12
Unrealised foreign exchange differences	22	8	-
Loan note accretion	6	-	5
Impairment of investments	-	(71)	301
Profi/Loss on sale of investments	-	85	(82)
Loan note interest accrued	8	-	7
Share based payment charge	8	-	34
Shares issued in settlement of liabilities	31	110	327
	(189)	**(141)**	**(318)**
Changes in working capital			
Receivables	(24)	(240)	22
Payables	57	327	155
Net cash used in operating activities	**(156)**	**(54)**	**(141)**
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	(258)	(560)	(1,046)
Purchase of listed investments	-	-	-
Sale of listed investments	-	62	154
Net cash used in investing activities	**(258)**	**(498)**	**(892)**
Cash flows from financing activities			
Proceeds from issue of shares	651	1,105	1,105
Issue costs	(61)	(100)	(117)
Net cash from financing activities	590	**1,005**	**988**
Net increase in cash and cash equivalents	**176**	453	(45)
Cash and cash equivalents at 1 January 2017	116	161	161
Cash and cash equivalents at 30 June 2017	292	**614**	**116**

Notes to the unaudited condensed consolidated financial statements
For the period ended 30 June 2017

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 55 Gower Street, London WC1E 6HQ.

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 2017 and 30 June 2016 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 2016 has been derived from the Annual Report and Accounts, which were approved by the Board of Directors on 31 May 2017 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 2016 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 2016 as described in those annual financial statements.

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.

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. Loss per share

The calculation of basic loss per share is based on a loss of £266,000 (2016, £279,000) and on 235,679,376 (2016, 95,438,033) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

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

Share capital

During the period, the Company placed 26,030,000 Ordinary Shares in the Capital of the Company to raise £651,000 (590,000 after expenses) with institutional and other investors.

During the period, £86,874 of convertible loan notes, including accrued interest, were converted into 4,343,724 Ordinary Shares in the capital of the Company.

During the period, payment was made for services costing £31,000 supplied to the Company by the issue of 1,250,000 Ordinary Shares in the capital of the Company.

For further information, please visit www.armadalecapitalplc.com or follow us on Twitter @ArmadaleCapital.

****ENDS****

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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. The project is located in a highly prospective region with proven coarse flake, high grade graphite resources – ASX listed Kibaran and Black Rock have both identified and are developing significant proven and valuable graphite projects immediately adjacent to Mahenge Liandu. A mineralised trend about 1.6km in strike length and up to 500m wide has been identified at the project, which remains open at depth. Armadale geologists have mapped and sampled the graphite schist, with results from seven previous samples ranging from 12.8% - 24.0% TGC. Exploration drilling completed at the project in December 2015 has further confirmed the mineral potential of the license area, with results including 10mt at 6.54% TGC, 24mt at 12.9% TGC and 5mt at 21.5% TGC. Armadale is targeting a maiden resource estimation in late 2016.

In addition, Armadale is developing of the Mpokoto Gold project in the Democratic Republic of the Congo, in which it owns an 80% interest. Mpokoto has a current Total Mineral Resource of 678,000oz gold ('Au') from 14.58mt @ 1.45g/t Au at a cut-off grade of 0.5g/t. The company has recently announced the results of a feasibility study for Mpokoto which demonstrated a pre-tax net present value of US$43m based upon a discount rate of 5% and a gold price of US$1,250/oz. The project is subject to four mining licenses which are valid for an initial term of 30 years from 30 September 2014.

Armadale has a portfolio other quoted investments.

More information can be found on the website www.armadalecapitalplc.com.