Registered number: 05315922

CRADLE ARC PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2017

CRADLE ARC PLC

CONTENTS

CRADLE ARC PLC

COMPANY INFORMATION

Directors	Toby Howell (Non-Executive Chairman) Mark Jones (Executive Director – Business Development) Roger Williams (Non-Executive Director) (appointed 9 June 2017) Gerald Chapman (Non-Executive Director) (resigned 11 July 2017) Dominic Doherty (Executive Director) (resigned 13 November 2017) Tom Swithenbank (Non-Executive Director) (appointed 14 December 2017 and resigned 15 January 2018) Kevin van Wouw (Chief Executive Officer) (appointed 26 September 2017) Oscar Kirkovits (Non-Executive Director) (appointed 25 April 2018)
Company Secretary	Cargil Management Services Limited
Registered Office	27-28 Eastcastle Street London W1W 8DH
Company Number	05315922
Bankers	Barclays Bank plc 127 Edgware Road London W2 2HT
Nominated Adviser	Strand Hanson Limited 26 Mount Row London W1K 3SQ
Broker	Tamesis Partners LLP 3rd Floor 15 Eldon Street London ECM 7LD
Independent Auditor	BDO LLP 55 Baker Street London W1U 7EU

CRADLE ARC PLC

CHAIRMAN'S STATEMENT

Following a protracted, circa year-long, acquisition process, Cradle Arc plc ("Cradle Arc" or the "Company") transformed from a West Africa focused gold explorer to a copper producer following the successful acquisition of 60% of the Mowana mine ("Mowana") in Botswana.

Having announced the opportunity to acquire a 60% interest in the Mowana mine in December 2016, we spent 2017 preparing the necessary documentation and completing the various work steps to conclude the transaction, which was treated as a business combination in the financial statements. Following a protracted period to navigate and address the regulatory requirements for the transaction and a regrettable cancellation of the Company's shares from admission to trading on AIM in July 2017, completion of the acquisition of Mowana's holding company was achieved in November 2017, with the enlarged group admitted to trading on AIM on 24 January 2018.

Prior to our acquisition of Mowana, over US$170 million of capital had historically been invested by third parties in the mine, which was operational between 2008 and 2015. The Company and PenMin devised a new operating plan, which addressed some of the key operating issues suffered by the previous owners and restarted production on a campaign basis in March 2017, thereby enhancing our understanding of the asset and our development mine plan, which is focused on applying new mining models and techniques to achieve stable production from proven mining assets.

We are of the opinion that, anyone who had visited site and seen the condition of the mine workings first-hand when the Company took control of Mowana, compared to today and therefore what management has already achieved in such a short space of time, would be pleasantly surprised. As opposed to the selective mining approach applied previously, Cradle Arc, via owner operated mining, has invested funds to develop a large scale, flexible open pit operation on the North Deposit, with similar plans for the other resources on the mine site. This reflects our intention to build a long-term, sustainable mining project, of which all stakeholders can be proud.

We essentially inherited a working plant that, following an improvement in our understanding of the orebody, has now started to deliver the recoveries and concentrate quality that we expect. Over the coming months, we will also aim to progress our plans to add a Dense Media Separation ("DMS") pre-processing unit, as well as making other improvements, which should serve to further improve and enhance the extraction process.

Accordingly, we are now the operator of a sizeable producing copper mine located in an established and low-risk mining jurisdiction, with clear and improving value fundamentals. As set out in the Competent Person's Report in January 2018, the net present value ("NPV") (leveraged) of the Mowana project was approximately US$87.5 million at the time of admission (utilising the base case, pre-DMS, mine plan scenario), which had risen to approximately US$272.8 million (quoted in real terms using an 8% discount rate and a copper price of US$3.00/lb Cu) further to the publication, in late May 2018, of the Ore Reserve estimate and on the basis of the planned DMS upgrades being installed in due course, subject to financing.

Our focus has been on building volumes to achieve initial nameplate production capacity of 12,000 tonnes of copper in concentrate per annum at a throughput rate of 1.2 million tonnes at 1.16% Cu, which will sustain a 14-year life of mine (LOM).

As part of the work in preparing a maiden JORC (2012) Ore Reserve estimate for Mowana, in May 2018, we reported an independent update on Mowana's JORC (2012) Mineral Resource estimate, comprising a Measured and Indicated resource of 55.0Mt at 1.17% Cu for 640,000 tonnes of contained copper, representing an increase of 37% from the original maiden JORC (2012) Mineral Resource estimate published in April 2018, and an Inferred resource estimate of 20.0Mt at 1.08% for 220,000 tonnes of contained copper.

In light of this resource upgrade, and based on the results of metallurgical test work, we identified an opportunity to advance Mowana towards a point of steady state production and sustained positive cash flows more rapidly through an accelerated development plan (the "Accelerated Development Plan") as announced on 3 April 2018, which is currently being implemented.

This Accelerated Development Plan will enable us to fast-track access to the deeper supergene and sulphide ores, which have demonstrated better recoveries and grades, and in turn improve the overall economics of the project. Since commencement of the Accelerated Development Plan, we have had two mining units working full time in the Mowana Open Pit and seen recoveries improve as we have developed into the mixed and supergene ores. A third mining unit is scheduled to be brought on-line before the end of June 2018, following which the Company will focus on developing sufficient space in the mining pits to enable the fourth mining unit to commence operations towards the end of Q3 2018. From recovery levels of just 35% experienced in the oxide ores, we are now averaging recoveries of 56% on a steady state blending basis and up to 76% on the supergene material encountered at the current base of pit level at 940RL.

CHAIRMAN'S STATEMENT

Further to the updated Mineral Resource estimate and assessment of the metallurgical test work data, in May 2018 the Company released an independent JORC (2012) Ore Reserve estimate (summarised in Table 1 below) for Mowana, comprising 12.4Mt @ 1.27% Cu for 157,700 tonnes contained copper metal classified as Proved reserves and 19.4Mt @ 1.10% Cu for 213,100 tonnes contained copper metal classified as Probable reserves.

Table 1: Mowana Copper Mine - Maiden Ore Reserve Estimate

Mowana Ore Reserve Estimate [9] Prepared in accordance with the Guidelines of the JORC Code (2012)			
Category	**Ore (kt)**	**Copper Grade (% Cu)**	**Contained Copper Metal (kt Cu)**
Ore Reserves			
Proved	12,435	1.27	157.7
Probable	19,374	1.10	213.1
Total	***31,809***	***1.17***	***370.8***
Mineral Resources not forming part of the Ore Reserve			
Inferred	3,692	0.93	34.5

Notes:

1. *The Ore Reserve Estimate was compiled under the supervision of Mr. Mark Mounde, C. Eng., who is a Technical Director at Wardell Armstrong International Ltd. ("WAI") and is a Member of the Institute of Materials, Minerals and Mining. Mr. Mounde has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined under the Guidelines of the JORC Code (2012).*
2. *Tonnages (t) are metric tonnes.*
3. *Ore Reserves are reported with mining modifying factors of mining dilution at 10% and mining recovery of 95%.*
4. *A copper price of US$6,063/t (US$2.75/lb) was used in the estimation.*
5. *Ore Reserves have been estimated under the 2012 Edition of the JORC Code.*
6. *The Life of Mine Schedule includes 3.69Mt of Inferred Mineral Resources at a grade of 0.93% Cu which has not been classified as an Ore Reserve and is included as waste in the mining schedule.*
7. *As of the date of WAI's report preparation, no environmental, permitting, legal, title, taxation, socio-political, marketing or any other relevant issues were known that could affect the Ore Reserve Estimation.*
8. *Based on the most current topographic survey as at 26 February 2018.*
9. *Numbers presented in the table may not cast due to rounding.*

In mid-April 2018, in accordance with the Accelerated Development Plan, operations at Mowana switched from campaign runs, whereby the mine processed and tested different ore types from the Mowana open pit, historical stockpiles and tailings, to constant running of the expected ore types with production volumes steadily increasing. We continue to progress towards current nameplate production of processing 1.2 million tonnes of ore per annum, in order to achieve output of approximately 12,000 tonnes Cu per annum.

Once we have achieved our base case nameplate production, and subject to appropriate financing being secured, we can then seek to increase processing to 2.6 million tonnes per annum, producing over 21,000 tonnes Cu per annum, with an expected average LOM cash cost (C1) of US$4,099 per tonne Cu (US$1.86 per pound) and all-in sustaining costs of US$5,038 per tonne Cu (US$2.29 per pound) via planned Dense Media Separation (DMS) upgrades, which constitutes a low CAPEX expansion option through which we can process low oxide ores.

For all copper concentrate produced we have a strategic offtake agreement in place with Fujax Minerals and Energy Limited ("Fujax Minerals"), a minerals and energy trading company based in South Africa. Furthermore, Cradle Arc benefits from a top line management fee payable to the Company equating to 1.5% of gross mine revenues.

Given the strong value fundamentals and growth prospects for Mowana, building production and revenues at this mine is our core focus. Accordingly, post the reporting period-end, we signed an option agreement with Singa Holdings Zambia Private Limited to grant it an option to establish a joint venture (JV) and potentially acquire the Company's Matala and Dunrobin gold assets in Zambia for consideration of US$2.5 million in cash and a US$2.5 million NPV royalty if the mine is taken into production. We continue to believe in the future value and upside potential of these assets and believe that this agreement is the best manner in which to realise such value whilst ensuring our resources are focused on Mowana.

We also continue to retain exposure to a number of prospective gold assets in Mali. This includes the Kossanto East Gold Project ("Kossanto East") in western Mali, where having previously been progressed via a JV agreement with Ashanti Gold Corp. ("Ashanti"), we agreed to sell the project to Ashanti in August 2017 for consideration of CAD$1 million whilst retaining a 1.5% Net Smelter Return ("NSR"). Ashanti has the right to purchase this NSR in whole or in part, by paying US$100,000 for each 0.1% (up to a maximum of US$1.5 million).

Proximal to Kossanto East is the Kossanto West Gold Project, which until May 2018, was the subject of a JV agreement with Randgold Resources (Mali) Sarl ("Randgold"). Randgold successfully developed this grassroots project for two years which has enabled us to greatly improve our understanding of the project. We are now focussed on securing a new JV partner to continue development work and are confident that we will be able to achieve this in the near term based on the prospective results received to date, Ashanti's ownership in the neighbouring Kossanto East property, and the expressions of interest that we have received from third parties.

Financial

The main focus of the group's financial activities during the year under review was the acquisition of a majority interest in Mowana held by Leboam Holdings (Pty) Ltd ("Leboam") via the Company's purchase of Cradle Arc Investments (Pty) Ltd ("CAI"), which holds 60% of Leboam, and funding of the re-commissioning of the mine, both pre and post completion of the acquisition on 13 November 2017, in order to progress the mine to sustained and commercial production during the Company's 2018 financial year.

The Company acquired 100% of CAI's share capital for an aggregate consideration of £12.5 million. The consideration comprised £1.0 million of deferred cash consideration, the issue of 40,517,689 new ordinary shares in the Company and a further 75,000,000 additional consideration shares (the "Additional Consideration Shares") to maintain the vendor's 60% shareholding in the Company following an equity raising of, in aggregate, up to £5 million on or prior to the admission of the Company's ordinary share capital to trading on AIM ("Admission").

The fair value of CAI's net assets acquired at the acquisition date was determined to be £20.9 million comprising assets of £76.2 million and liabilities of £55.3 million. A non-controlling interest (40%) of £8.4 million was recorded as CAI holds 60% of the issued share capital of Leboam.

Further details of the acquisition are provided in notes 4 and 29 to the financial statements.

Statement of financial position

The increase in the group's total assets by £68.1 million, from approximately £18.1 million to £86.2 million, is principally summarised as follows:

- £45.3 million of property, plant and equipment recognised on the acquisition of Mowana following a fair value exercise on acquisition comprising the mine development costs, infrastructure (mining properties), processing plant and mining equipment.
- £3.5 million of additions to property, plant and equipment since the acquisition including capitalisation of costs related to mine commissioning and the acquisition of additional mining equipment.
- Net increase in intangible assets of £15.9 million, comprising £28.4 million of mineral property recognised on acquisition of Mowana, less impairment of the group's gold exploration assets of £12.5 million. The assets include a fair value adjustment of £18.2 million to mineral properties representing the premium of the fair value of the consideration for the purchase of CAI over the fair value of the attributable net assets acquired, reflecting the underlying copper resource being acquired. The impairment of the gold exploration assets included a partial impairment of the Company's Zambian gold project to £1.8 million (US$2.5 million equivalent) and full impairment of its Burkina Faso licences previously held at £0.6 million.
- £2.0 million of working capital increases principally related to increased VAT receivables, inventories acquired with Mowana and cash.

The group's total liabilities increased from £5.3 million in 2016, to £69.9 million in 2017. Trade and other payables increased by £6.3 million and included £1 million of deferred cash consideration in respect of the CAI acquisition (50% current, 50%

non-current) and £6.0 million of trade payables and accruals reflecting cash flow constraints at the year end prior to completion of a placing in January 2018.

The group's loans and borrowings of £44.9 million (£14.2 million current and £30.7 million non-current) include £30.4 million originating from the purchase of the mine payable to the liquidator and former shareholder of the mine and £5.2 million of finance leases for mining equipment. In addition, the group owed £3 million to Fujax Minerals in respect of funding it provided for commissioning as a pre-payment for copper concentrate. During the year, the Company issued three convertible loan notes to secure working capital and fund mine commissioning both pre and post acquisition. The proceeds from the January 2017, June 2017 and October 2017 convertible loan notes totalled £5 million gross. The convertible loan notes issued in October 2017 automatically converted into new ordinary shares on Admission in January 2018. £525,000 of the remaining loan notes were converted in to equity after the year end and the outstanding loan notes relate to the January 2017 and June 2017 loan note issues, which mature in December 2018, at which time they are repayable or can be converted at the option of the holders. The loan note instruments are designated at fair value through profit and loss and were carried at a fair value of £5.6 million at the year end. Details of the terms of the loans and borrowings are provided in note 15 to the financial statements.

The Additional Consideration Shares represented the vendor's rights to receive additional shares in order to ensure that it maintained a 60% shareholding in CAI following the Company completing an equity raising of, in aggregate, £5 million on or before Admission. Under IFRS, the estimated fair value of this element of the consideration is required to be classified as a liability rather than equity as the vendor would receive a variable number of shares, rather than a fixed number of shares. On Admission on 24 January 2018, the vendor received 75,000,000 shares at a price of 10 pence per share with no impact on cashflow from the issue of the Additional Consideration Shares.

The remaining principal liabilities include £5.1 million of mine rehabilitation provisions based on a life of mine of 14 to 16 years and other mine related provisions. Deferred income tax liability movements include an increase of £3.3 million related to the difference between the fair value of mineral property recorded on acquisition and the underlying tax base, movements in deferred tax and retranslation post acquisition less £3.6 million of deferred tax liabilities released following the partial impairment of the group's Zambian assets to which the brought forward balance related.

The Company has issued, in aggregate, 51,105,098 shares during the year in settlement of certain historical deferred consideration and convertible loan notes, shares issued in lieu of fees and salaries and shares issued as consideration for financing fees and charges. No shares were issued for cash in the year.

Income statement
The group generated revenues of £0.57 million (2016: Nil) comprising test production revenues from Mowana and fees from strategic partners. The group recorded a nil margin on the Mowana test production as mining and processing related costs post acquisition are capitalised as the mine is considered to remain in a pre-commercial production phase, with an adjustment recorded to increase cost of sales and reduce property, plant and equipment to eliminate the margin on such test revenue reflecting its contribution towards capitalised commissioning costs. Accordingly, the gross margin of £369 615 related to the fees charged to strategic partners.

Loss before income tax of £13.8 million consists mainly of the impairment of £12.5 million in the value of the Zambian exploration assets, other administrative costs of £2.7 million, foreign exchange gains on financing of £2.5 million and finance costs of £1.6 million. The increase in administrative expenses from £0.8 million in 2016 to £2.7 million in 2017 reflects the increased cost base associated with the enlarged group together with legal and professional costs associated with the acquisition of CAI and the AIM Admission process. Finance costs includes £1.5 million associated with the shares issued in settlement of fees and interest due on the convertible loan notes, £0.6 million associated with fair value changes on loan notes designated as fair value through profit and loss and £0.3 million of warrants issued in respect of convertible loan notes.

Cash flows
The consolidated cash inflows of the group primarily related to funds raised from its financing activities. At the Company level, this took the form of issuing convertible loan notes in the amount of £5.0 million gross, of which £4.2 million was then advanced to CAI to fund activities at Mowana prior to acquisition. At the project level, £3 million of loans were received by Leboam (CAI's subsidiary) from Fujax Minerals prior to and post-acquisition which was used to purchase mining equipment and fund

capitalised commissioning costs. The net cash outflow from operating activities of £0.7 million principally related to the administrative costs of the group.

Post Balance Sheet Funding
As announced on 3 April 2018, the committed Fujax Minerals funding of US$7.6 million at admission was ultimately not utilised due to a number of commercial factors and was instead replaced by funds raised via the issue of Loan Notes of US$10 million (gross), which was secured on 2 April 2018. The Loan Notes mature in April 2019 and accrue interest at 18%, payable quarterly in arrears, with 30 June 2018 being the first date for an interest payment. In addition, £1.3 million remains outstanding under the January 2017 and June 2017 convertible loan notes which mature in December 2018. Unfortunately, this change in source of working capital for the mine, the temporary shutdown of the plant to facilitate the completion of a mill re-line, along with other essential maintenance activities and to formulate the Accelerated Development Plan, slowed the base case production build up at Mowana.

In conjunction with the issue of the Loan Notes, the Company agreed, subject to shareholder approval, to grant to the investors in the Loan Notes, in aggregate, 71,336,852 warrants to subscribe for new ordinary shares in the Company. Such warrants were exercisable at a price of 5 pence per share during the exercise period of 12 months from 2 April 2018.

On 5 June 2018, the Company announced that, as the Company had insufficient share capital authorities to issue all of the abovementioned 71,336,852 warrants by the original deadline of 30 May 2018, on 28 May 2018, the Company issued an initial tranche of 35,668,432 warrants (being approximately 50 per cent. of the warrants) to the Loan Note investors, utilising the Company's existing share capital authorities. The Company agreed that, as announced on 5 June 2018 and 18 June 2018, the remaining 35,668,420 warrants would be issued pursuant to the terms and conditions of a new warrant instrument, subject to the receipt of shareholder approval at the forthcoming Annual General Meeting, and that the exercise period shall be extended by a further six months, to 2 February 2020, with all other rights and restrictions remaining the same.

Further details of funding and liquidity risk are set out in note 2.3.

Corporate
As part of our corporate re-structuring process that saw us transition from exploration focussed Alecto Minerals, to production focussed Cradle Arc, a number of changes were made to the Board. Firstly, Kevin van Wouw was appointed as Chief Executive Officer ("CEO"). Kevin has extensive mining experience, having been involved in the industry for over 25 years, and has an excellent knowledge of the Mowana mine, having been one of the leading parties that first identified the Mowana acquisition opportunity.

Kevin, along with Mark Jones (formerly Alecto Minerals' CEO and now Executive Director – Business Development), were joined by Roger Williams as a Non-Executive Director, who joined the Board in 2017, and myself, continuing in my role as Non-Executive Chairman. Together, Roger and I bring experience in the fields of corporate finance and accountancy, ensuring that the Board benefits from a diverse skill-set. Post the period-end, in April 2018, Oscar Kirkovits also joined the Board as a further Non-Executive Director. We believe his experience in investment management and investor contacts in the resource space will be beneficial to the long-term growth of the Company.

Outlook
Cradle Arc's vision is to become a diversified metals producer in Africa. We intend to achieve this by applying new mining models and techniques in order to achieve cash positive production from proven mining assets, as is being undertaken at Mowana, while securing strategic JV partnerships / farm-outs for our exploration assets to maximise value. It is thanks to this dynamic portfolio approach that I believe we are now firmly positioned for growth.

The Mowana mine has a project NPV of US$272.8 million (quoted in real terms using an 8% discount rate and a copper price of US$3.00/lb Cu) following planned DMS plant upgrades and a clear path for future development. Our focus remains firmly on building production and revenues. In support of this, the long-term pricing fundamentals for copper remain strong and our current ramp-up to pre-DMS nameplate capacity of 12,000 tonnes per annum continues to advance in accordance with our Accelerated Development Plan.

We look forward to providing updates in due course and offer our thanks to our investors for their continued long-term support, particularly during what I know was a protracted acquisition process.

CHAIRMAN'S STATEMENT

Thanks must also go to our team. It is thanks to their undoubted skills, knowledge, experience, and hard work that we are now the operator of a large-scale copper mine with additional upside available via our strategic portfolio of JV / exploration assets. We look forward to enhancing and progressing Mowana into a world-class copper mining asset.

Toby Howell
Non-Executive Chairman

27 June 2018

CRADLE ARC PLC

CHIEF EXECUTIVE OFFICER'S REPORT

During the year it took to acquire the mine and subsequently achieve admission of the enlarged group to trading on AIM, we were incredibly active re-starting and ramping-up operations at the mine, despite our cash resources being extremely tight.

Firstly, an assessment of all the existing infrastructure and equipment on site was completed; crucially, power, water and communication links were all re-established. The processing plant itself was found to be in excellent condition and, after initial commissioning work, test production commenced in March 2017, producing saleable concentrate of up to 28% copper (Cu), which comprised part of the initial batch of product later delivered to Fujax Minerals, under the terms of our five-year copper offtake contract. Prior to this test production, the conventional crushing and screening circuit had been successfully operating for two weeks, thereby stockpiling crushed ore.

In March 2017, Capital Drilling Limited were also awarded a contract for Drill and Blast services, with the first blast completed on 29 April 2017. By May 2017, operations were continuing on a full-time basis to enable campaign phase production and ore testwork, with, in aggregate, over 1,900 tonnes of copper concentrate having been produced and sold to Fujax Minerals to date since the re-commencement of operations.

A drilling campaign conducted in 2017 comprising a total of 51 reverse circulation (RC) holes for 2,546 metres was augmented by the inclusion of data from other historical drill holes. This facilitated the commissioning of a maiden independent JORC (2012) mineral resource estimate for Mowana, which we reported in April 2018.

Our Accelerated Development Plan at Mowana involves accelerating access to the sulphide and supergene ores at the 950 level and below where grades are higher and recoveries have been shown to be strong. Test work completed by our onsite metallurgists, which was subsequently independently verified in South Africa, confirmed that these higher-grade ores should provide excellent metallurgical recoveries, with the average plant recovery ultimately expected to be in excess of 85%.

In order, to implement the Accelerated Development Plan, in April 2018, additional mining equipment comprising 20 x 40-tonne articulated dump trucks (ADTs), 3 x CAT D8 dozers, 2 x CAT374 excavators, a grader and a water truck, along with the accompanying support equipment and spares, were delivered to site. The Accelerated Development Plan envisages having four mining units in service in the Mowana open pit, with a mining unit consisting of a 75-tonne excavator and five 40 tonne ADTs. With the ability to operate each mining unit independently in the open pit, the Accelerated Development Plan enables the Group to mine additional faces in the ore body simultaneously and thereby increase the volume of ore and waste mined.

As well as accelerating access to the deeper, higher grade ores, the Accelerated Development Plan should increase the tonnes of ore delivered to the run of mine (ROM) pad. This increase in ROM tonnage will enable improved blending and the establishment of stockpiles of ore ahead of planned further upgrades.

In January 2018, results from an independent test report produced by SGS South Africa (Pty) Ltd ("SGS") confirmed the applicability of DMS for Mowana as a low capex expansion option. The test work demonstrated that DMS pre-concentration can be deployed on all low oxide ores (those that contain less than 25% acid soluble copper). Furthermore, the results confirmed that a mass yield of 30-40%, and an expected copper recovery in excess of 85% can be expected; mill feed grades in excess of 2% can also be anticipated, nearly double the current ROM; an optimal crushing top size of 10-12mm should be designed for with respect to the upgrade project; and, good rejection of gangue minerals is achievable, including carbon and silicon (with more than 75% being rejected).

Based on the positive outcome of the test work, we began initial DMS preparatory work for the upgrades to the Mowana processing plant. Once the initial nameplate capacity of approximately 12,000 tonnes of copper per annum has been achieved from the Accelerated Development Plan, we will look to further advance our DMS plans and thereby build production to over 21,000 tonnes per annum, subject to securing the requisite additional funding or financing from retained cash flows.

Alongside revenue generation from the sale of copper concentrate, it is important to note that Cradle Arc has a 10-year management contract (valid from December 2016) which provides for it to receive management fees equating to 1.5% of gross revenue from the mine.

Accordingly, the Company has made good progress over this review period in both successfully acquiring the Mowana mine and then subsequently by improving efficiencies at the mine. This would not have been possible without the dedicated support and hard work from our stakeholders – our employees, contractors, shareholders, the local community and the Botswana government. I would like to acknowledge our thanks to all of them.

I am most excited about what Cradle Arc can achieve over the next few years and beyond, and look forward to pursuing continued growth and making further progress.

Kevin van Wouw
Chief Executive Officer

27 June 2018

GROUP STRATEGIC REPORT

The Directors of the Company and its subsidiary undertakings (which together comprise the "Group") present their Strategic Report on the Group for the year ended 31 December 2017.

Strategic approach and business model

The objective of the Group is to deliver material value for its stakeholders by becoming a major metals producer in Africa.

The Group's strategy is to continue to build upon the commercial production achieved in June 2018 at the Mowana Copper Mine to initially achieve nameplate capacity of 1.2Mt per annum, and then implement a process plant upgrade to increase throughput capacity to 2.6Mt per annum, via the installation of Dense Media Separation (DMS) upgrades. The Group continues to retain exposure to gold exploration through its joint ventures and is actively pursuing partnerships for the continued development of the Matala and Dunrobin Gold mines in Zambia and the Kossanto West Gold project in Mali.

Organisation overview

The Group's business is directed by the Board and is managed on a day-to-day basis by the Chief Executive Officer. The Board monitors compliance with the objectives and policies of the Group through monthly performance reporting, budget updates and periodic operational reviews. The Board comprises the Chief Executive Officer, one further Executive Director and three Non-Executive Directors. The Corporate Head Office of the Group is located in London, UK and provides corporate support services to its overseas operations. The Group's overseas operations are managed out of two overseas hubs; Southern African operations are managed through the Group's offices at the Mowana Mine in Botswana, and the Lusaka office in Zambia and the West African operations are managed out of Botswana.

Review of business

Activity during the year was principally focussed on the Company's acquisition of the Mowana Copper Mine in Botswana. This activity comprised the structuring of the acquisition whilst concurrently working with the vendor of the project, Penmin Botswana Limited ("Penmin"), to successfully re-commission the mine and commence a test production phase on ore from the Mowana open pit.

On 21 December 2016, the Company announced that it had entered into a conditional acquisition agreement to acquire the entire issued share capital of Cradle Arc Investments (Pty) Limited ("CAI") for a consideration of £1 million payable in cash and the issue of consideration shares to the vendor and its nominees representing, in aggregate, 60 per cent. of the enlarged share capital on completion. CAI is a holding company incorporated in Botswana which, via Leboam Holdings Limited ("Leboam") acquired the Mowana Copper Mine, a producing mine located in north east Botswana from Messina Copper (Botswana) (Pty) Limited (in liquidation) ("MCB") through a liquidation process. Pursuant to the acquisition, US$20 million is payable to the liquidators of MCB (the Leboam Payment) and the existing major secured creditor of the mine, ZCI Limited ("ZCI"), as a term loan. ZCI then converted US$79 million of its US$110 million loan into shares equivalent to 40% of the equity in Leboam such that Cradle Arc now holds a 60% interest in the mine. US$21 million of existing loan notes due to the major creditor remain as a term loan payable over 10 years.

The acquisition of CAI constituted a reverse takeover under the AIM Rules for Companies and accordingly trading in the Company's ordinary shares on AIM was suspended from 21 December 2016 pending publication of an admission document. On 5 July 2017, the Company announced that, due to the delay in publishing such admission document, the admission of the Company's ordinary shares to trading on AIM was cancelled.

On 13 November 2017, the Company completed the acquisition of CAI. In January 2018, the Company published its Admission Document in respect of the enlarged group and was admitted to trading on AIM on 24 January 2018.

In Mali, Randgold Resources continued to explore the Kossanto West gold project throughout the period involving surface mapping, pitting and trenching. Following the end of the reporting period, Randgold Resources terminated the joint venture arrangement with Cradle Arc thereby returning the project in its entirety to the Company. The Company is pursuing opportunities to find a new joint venture partner for Kossanto West. Ashanti Gold Corporation ("Ashanti") completed a round of further exploration drilling at Kossanto East and in August 2017 the Company agreed the sale of the Kossanto East project to Ashanti for a purchase price of $1,000,000 Canadian Dollars received in cash.

In Zambia the Company completed the clearing and fencing of the proposed process plant site next to the Dunrobin open pit and re-settled two families in the area in compliance with the project's environmental permit. Limited further exploration work was completed whilst the Company explored opportunities to develop Dunrobin and Matala in partnership with a third party. This led to the signing of an option agreement with Singa Holdings Zambia Private Limited in April 2018.

Further details of the key developments made throughout the year are set out in the Chairman's Statement and CEO's Report.

Funding

Details of the risks and uncertainties associated with funding and liquidity are set out in note 2.3 to the financial statements.

Principal risks and uncertainties

Development and operating risks

The Group's profitability will depend, in part, on the actual economic returns and the actual costs of its mine development, which may differ significantly from the Group's current estimates. The development of the Group's mining projects may be subject to unexpected problems and delays as has been experienced during the initial ramp-up of mining operations at Mowana. The Group's decision to develop a mineral property is typically based on the results of a feasibility study. Feasibility studies derive estimates of expected or anticipated project economic returns. These estimates are based on assumptions about future commodity prices, anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed, anticipated recovery rates of the mineral from the ore, anticipated capital expenditure and cash operating costs and the anticipated return on investment.

Actual cash operating costs, production and economic returns may differ significantly from those anticipated by such studies and estimates. There are a number of uncertainties inherent in the development and construction of any new mine and the further commercialisation of the Group's projects. These uncertainties include: the timing and cost of the construction of mining and processing facilities; the availability and cost of skilled labour, power, water, consumables and transportation facilities, the availability and cost of appropriate smelting and refining arrangements, the need to obtain necessary environmental and other governmental permits and the timing of those permits, and the availability of funds to finance construction and development activities.

Exploration risks

The exploration and mining business is influenced by a number of global factors, principally supply and demand which, in turn, is a key driver of global mineral prices; these factors are beyond the control of the Group. Exploration is a high-risk business and there can be no guarantee that any mineralisation discovered will result in proven and probable reserves or go on to be the basis for an operating mine. At every stage of the exploration process our projects are rigorously reviewed to determine whether the results justify the next stage of exploration expenditure, thereby ensuring that funds are only applied to high priority targets. The Group's, mineral exploration licences are subject to certain financial and legal commitments. If these commitments are not fulfilled the licences could be revoked. They are also subject to legislation defined by the respective governments of the countries in which the Group operates; if such legislation is changed it could adversely affect the value of the Group's assets. The Board actively monitors its progress against the licence requirements and commitments and monitors the legislative position in each country in which it operates to maintain compliance.

Resource estimates

The Group's reported resources are only estimates. No assurance can be given that the estimated resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and as a result are uncertain because the samples may not be fully representative of the full resource. Mineral resource estimates may require revision (either up or down) in future periods based on further drilling or actual production experience. Any future resource figures will also be estimates and there can be no assurance that the minerals are present, will be recovered or that they can be brought into profitable production. Furthermore, a sustained decline in the market price for natural resources, particularly gold, could render reserves containing relatively low grades of such resources uneconomic to recover. The Group manages the risk associated with resource estimates by obtaining independent assessments by qualified Competent Persons in determining reported resources.

Dependence on key personnel

The Group and Company is dependent upon its executive management team and various technical consultants. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on the Company's ability to recruit and retain high quality and experienced staff. The loss of the services of key personnel and/or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on its future business and financial condition. The Board assesses its executive management team and technical consultants and structures its reward packages to manage this risk proactively.

Funding risk

In the near term, the Group's liquidity risks are set out in note 2.3 of the financial statements. In the longer term, the Company's ability to raise further funds will depend on the success of the Group's mining, exploration and development activities and its investment strategy. The Company may not be successful in procuring funds on terms which are attractive to it and, if such funding is unavailable, the Group may be required to reduce the scope of its development activities or relinquish some of the licences it holds for which it may incur fines or penalties. The Group manages its liquidity by maintaining regular cash flow forecasts and assessment of budget versus actual expenditure and future cash flow requirements.

GROUP STRATEGIC REPORT

Financial risks

The Group's operations expose it to a variety of financial risks that include market risk (including foreign currency risk), credit risk and liquidity risk. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. Details of the Group's financial risk management policies are set out in 26 to the Financial Statements together with its risk management procedures.

Financial performance review

The loss of the Group for the year ended 31 December 2017 before taxation amounted to £13,840,608 (31 December 2016: loss of £4,342,851). Refer to page 5 of the Chairman's Statement for the financial performance review.

The Board monitors the activities and performance of the Group on a regular basis. The Board uses financial indicators based on budget versus actual to assess the performance of the Group. The indicators set out below will continue to be used by the Board to assess performance over the period to 31 December 2018.

The principal KPIs for the Group are set out below: These allow the Group to monitor costs and plan future exploration and development activities:

	2017	2016	2015
Cash and cash equivalents	**£80,334**	£277,132	£530,003
Profit/(Loss) for the year	**(10,793,834)**	(4,342,851)	3,343,615

Copper production:

	Concentrate dry (t)	**Contained Cu (t)**	**% Cons grade (%)**	**Recoveries (%)**
1 Jan – date of acquisition (13 November)	**5,185.55**	**897.10**	17.3	43.3
13 November – 31 December 2017	**700.42**	**150.10**	21.43	36.2
May 2018 to date	**2,048.56**	**446.09**	20.6	54.6

KPI analysis

The copper produced during this financial period is considered as to represent pre-commercial production. The concentrate grade is near expected grade of 23% over life of mine while recoveries remain low during this test phase of the plant. Refer to the Chairman's statement regarding building production volumes to achieve nameplate production figures of 12 000 tons of copper per annum. Refer to the Chairman's Statement for discussion of cash and the loss for the year.

Financial performance

Refer to the Chairman's Statement on page 5 for details of the financial performance of the Group.

Future Developments

The immediate focus of the Group is to ramp-up the Mowana Copper mine into full scale production and at the same time the Group will endeavour to progress the rest of its portfolio in Mali and Zambia as appropriate.

This Report was approved by the Board on 27 June 2018.

Kevin van Wouw
Chief Executive Officer

CRADLE ARC PLC

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Group, together with the audited Financial Statements, for the year ended 31 December 2017.

Principal activity

The principal activity of the Group is to maximise profitable production at its mining operations whilst working with partners and joint venturers on its exploration projects to define sufficient in-situ mineral resources to support a detailed feasibility study that will allow potential future mine development and production

Dividends

The Directors do not recommend the payment of a dividend for the year (31 December 2016: nil).

Directors & Directors' Interests

The Directors who served during the year ended 31 December 2017, who include the current Directors as shown in the Company Information on page 2, had, at that time, the following beneficial interests in the shares of the Company:

	31 December 2017		31 December 2016	
	Ordinary Shares	**Options**	Ordinary Shares	Options
Toby Howell	1,425	1,325,295	1,425	16,667
Gerald Chapman (1)	-	-	3,145,833	-
Mark Jones	272,797	6,626,474	85,833	289,329
Dominic Doherty(2)	164,751	5,301,179	85,037	184,118
Kevin van Wouw(3)	40,517,689	-	-	-
Roger Williams (4)	-	-	-	-
Tom Swithenbank(5)	-	-	-	-
Oscar Kirkovits (6)	-	-	-	-

(1) Shares are held by C3W Limited and CNG Trust, of which Gerald Chapman is the sole beneficiary. Mr Chapman resigned as a director on 11 July 2017.
(2) Dominic Doherty resigned on 13 November 2017.
(3) Kevin van Wouw was appointed on 26 September 2017. His shares are held indirectly through Penmin Botswana (Pty) Limited. Refer to page 64 for details of the additional consideration share rights.
(4) Roger Williams was appointed on 9 June 2017.
(5) Tom Swithenbank was appointed on 14 December 2017 and resigned on 15 January 2018.
(6) Oscar Kirkovits was appointed on 25 April 2018.

Further details on outstanding options can be found in Note 18 to the Financial Statements.

Financial risk management

Details of the Group's financial risk management policies can be found in note 3 to the Financial Statements.

Corporate responsibility

Environmental

Cradle Arc undertakes its exploration and mining activities in a manner that seeks to minimise or eliminate negative environmental impacts and that seeks to maximise positive impacts of an environmental nature. As a mining company Cradle Arc ensures proper environmental stewardship on its projects and subscribes to the Equator Principles that promote convergence around common environmental and social standards

Health and safety

Cradle Arc operates a comprehensive health and safety programme to ensure the wellness and security of its employees. The control and eventual elimination of all work related hazards requires a dedicated team effort involving the active participation of all employees. A comprehensive health and safety programme is the primary means for delivering best practices in health and safety management. This programme is regularly updated to incorporate employee suggestions, lessons learned from past incidents and new guidelines related to new projects with the aim of identifying areas for further improvement of health and safety management. This results in continuous improvement in the health and safety programme. Employee involvement is recognised as fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents.

CRADLE ARC PLC

DIRECTORS' REPORT

Going Concern

Refer to Note 2.3 to the Financial Statements.

Directors' and Officers' Indemnity Insurance

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors and officers. These were made during the previous period and remain in force at the date of this report.

Events after the Reporting Date

Events after the reporting date are set out in Note 33 to the Financial Statements.

Provision of Information to the Auditor

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Future Developments

Details of the Group's future developments can be found in the Group Strategic Report.

This Report was approved by the Board on 27 June 2018 and signed on its behalf.

Kevin van Wouw
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing 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 Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group 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 AIM market of the London Stock Exchange. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare financial statements on a going concern basis unless it is inappropriate to presume the company will continue in business;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements.

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 Group and 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 Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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. The Company is compliant with AIM Rule 26 with regard to disclosure on the Company's website.

This Statement was approved by the Board on 27 June 2018 and signed on its behalf.

Kevin van Wouw
Chief Executive Officer

CORPORATE GOVERNANCE REPORT

The Board currently comprises two Executive Directors and three Non-Executive Directors, one of whom is the Chairman. The Directors recognise the importance of sound corporate governance. The Directors consider it important that appropriately high standards of corporate governance are maintained. They have therefore put in place governance structures and provide information which would be expected in light of the Group's size, stage of development and resources. Whilst the Company is not currently required to comply with a governance code, as a result of recent changes to the AIM Rules for Companies, the Board is currently reviewing which recognised corporate governance code to apply to the Company on a comply or explain basis, as required by 28 September 2018.

The Directors have responsibility for the overall corporate governance of the Group and recognise the need for the highest standards of behaviour and accountability. The Board has a wide range of experience directly related to the Group and its activities and its structure ensures that no one individual or group dominates the decision making process.

Board Meetings

The Board meets regularly throughout the year. The Board is responsible for formulating, reviewing and approving the Group's strategy, financial activities and operating performance.

Board Committees

The Company has established an Audit Committee and a Remuneration Committee. In light of the size of the Board, the Directors do not consider it necessary to establish a Nomination Committee. However, this will be kept under regular review.

Audit Committee

The Audit Committee, comprising Roger Williams and Toby Howell from 11 July 2017, reviews the Group's annual and interim financial statements before submission to the Board for approval. The Committee also reviews regular reports from management and the external auditor on accounting and internal control matters. Where appropriate, the Committee monitors the progress of action taken in relation to such matters. The Committee also recommends the appointment, and reviews the fees, of the external auditor. The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditor. A formal statement of independence is received from the external auditor each year.

Remuneration Committee

The Remuneration Committee, comprising Roger Williams and Toby Howell from 11 July 2017, is responsible for reviewing the performance of the Executive Directors and for setting the scale and structure of their remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme and, in particular, the price per share and the application of performance standards which may apply to any such grant, paying due regard to the interests of shareholders as a whole and the performance of the Group.

Internal Controls

The Board acknowledges its responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the increased activity and further development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Risk Management

The Board considers risk assessment to be important in achieving its strategic objectives. Project milestones and timelines are regularly reviewed.

Relations with Shareholders

The Board is committed to providing effective communication with the Company's shareholders. Significant developments are disseminated through stock exchange announcements and regular updates of the Company's website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRADLE ARC PLC

Opinion

We have audited the financial statements of Cradle Arc Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated and company statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows, company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:
- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2.3 to the financial statements concerning the group's ability to continue as a going concern. The disclosures indicate that, in the event of reasonably possible lower levels of production growth in the short term the group would require additional funding to meet its liabilities as they fall due. These circumstances indicate the existence of a material uncertainty which may cast doubt on the group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Company or group was unable to continue as a going concern.

We have identified going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our audit procedures in response to this key audit matter included the following:

- The key underlying assumptions in management's forecasts included copper prices, production, costs, debt service and repayments. We tested the copper prices against market data and compared management's production forecasts to recent actual production data. We compared the production forecasts to the mine feasibility studies and discussed the operational factors that had delayed production and steps taken to address those factors. We agreed costs estimates to lease agreements the detailed mine schedules and challenged the appropriateness of cost trends compared to recent actual costs and production plans.

- We obtained outstanding supplier payments and agreed the balance to purchase ledger and payment records. We confirmed that the forecasts included near term payment of the balances and considered the nature of the suppliers based on our knowledge of the mine to challenge management regarding risks to near term production of the delayed payments.

- We agreed the forecast debt service and repayment assumptions against contractual agreements.

- We performed our own sensitivity analysis based on our assessment of the primary risks including copper price and production.

- We checked the disclosures in note 2.3 against the requirements of the relevant underlying framework to satisfy ourselves that the disclosure was appropriate.

Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRADLE ARC PLC

Matter	Our Response
Accounting for the acquisition of Mowana and related judgments and estimates In November 2017, the group acquired 100% of the equity of Cradle Arc Investments (Pty) Limited ("CAIL") which holds a 60% interest in the Mowana Copper mine. Management determined that the transaction represented a business combination in which the Company acquired control of CAIL. As a business combination, significant judgment and estimation was required by management to determine the fair value of the consideration given and the identifiable assets and liabilities acquired as set out in note 4 and 29. The fair value of the share consideration was determined to comprise share consideration and rights to contingent additional share consideration granted to maintain the vendors 60% interest in the Company upon a placing and Re-Admission completed in January 2018, which was closely related to the acquisition. As the Company was unlisted at the time of the transaction this required judgment by the Directors. As part of the fair value exercise, management have recorded a £18.2m fair value adjustment to recognise intangible mineral property assets and a fair value adjustment to record deferred tax liabilities on the fair value adjustment. Given the judgment required to determine the applicable accounting treatment for the transaction, together with the judgment and estimation regarding the fair value of consideration, identifiable assets and liabilities this was considered to be a key focus for our audit.	Our audit work included, but was not restricted to the following: We reviewed the Sale and Purchase Agreement, AIM Admission Document and considered factors including the Board composition, background to the transaction and terms of the Relationship Agreement entered by the vendors to assess the appropriateness of management's judgment that this transaction represented a business combination. We agreed the terms of the deferred consideration, share consideration and rights to additional shares to the Sale and Purchase Agreement and supporting documents. We agreed the inputs to the calculation of the fair value of share consideration and rights to additional share consideration. We agreed the 10p price per share used to the market price of the share placing in January 2018. We considered whether facts and circumstances existed which would have materially impacted the fair value of the consideration between the date of acquisition and date of readmission. This included examination of the Life of Mine Plans, Reserves and Resources and status of the Re-Admission process. We agreed the terms of the rights to additional shares to the Sale and Purchase Agreement, which included anti-dilution protection on Re-Admission to the vendors and confirmed that the accounting treatment as a liability based on the variability in the number of shares to be issued and the nature of the anti-dilution clauses was appropriate under applicable accounting standards. We have performed roll back procedures from the audited balance sheet of CAIL at 31 December 2017 to the acquisition date, together with specific cut off tests and tests of detail to obtain assurance over the book value of assets and liabilities of CAIL at the acquisition date. We recalculated the fair value adjustment to intangible mineral properties and checked that the accounting treatment is consistent with applicable accounting standards and industry practice. In doing so, we considered the Competent Person's Report and status of the project and feasibility studies which supported management's conclusion that the premium paid for the business relates to the rights to future extraction of the copper resource. We made inquiries of management, reviewed the Admission Document, obtained legal confirmations and reviewed Board minutes to consider whether other material identifiable assets, liabilities or contingent liabilities existed based on the nature of the operations. We compared management's calculation of deferred tax associated with the transaction to applicable accounting standards and tax legislation, including the use of local tax specialists. We checked the disclosures note 4 and 29 against the requirements of the relevant underlying framework and that related policies, judgments and estimates were adequately disclosed.
Our findings: We consider management's conclusion that the acquisition represented a business combination to be appropriate based on the relevant facts and circumstances. We consider management's judgements in determining the fair values of the consideration given and the assets and liabilities acquired to be supportable. We consider the disclosures at note 4 and 29 to be acceptable.	

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRADLE ARC PLC

Carrying value of non-current assets The group's non-current assets of £83.5m set out in note 6 and 7 comprise exploration and mining related assets and represent the group's principal assets. Management have performed impairment indicator reviews for the exploration assets and have recorded subsequent impairments of £11.9m in respect of the Group's Zambian licences and £0.6m in respect of its Burkina Faso licences as detailed in note 7. Management have performed and impairment indicator review in respect of the Mowana Copper mine as a cash generating unit to assess whether there were any indicators of impairment and whether impairment was appropriate as detailed in note 4. Management concluded that no impairment was appropriate based on their assessment of the Life of Mine plan, Competent Person's Report and Reserves and Resources Statement. Given the inherent judgement involved in the assessment of the carrying value of the non-current assets, we considered this area to be a significant focus for our audit.	Our audit work included, but was not restricted to the following: We reviewed the licence documentation to satisfy ourselves that the licences remain valid, as well as to confirm the dates of expiry and licence obligations. We evaluated management's impairment indicator review. In doing so, we considered factors such as the licence status and expiry date, planned expenditure, the progress of exploration activities and whether data or information exists to indicate that the carrying values will not be recoverable through development or sale. We reviewed the option agreement over the Zambian licences signed in 2018 which provided the counterparty the right to enter a joint venture of purchase the project for $2.5m (£1.8m) plus a future royalty if the project enters production. We considered the appropriateness of management's conclusion that the transaction provided information as to the recoverable value of the exploration asset at 31 December 2017 and resulting impairment charge. We made inquiries of management regarding their plans for the Burkina Faso licences and assessed their conclusion that, owing to security issues in the area, it was appropriate to impair the exploration assets. Given the decision by the group's joint venture partner on Kossanto West to terminate the joint venture agreement, we challenged management as to whether impairment was required. We obtained written representation regarding the existence of ongoing discussions for a joint venture development or sale of the asset and that such discussions support the carrying value at present; as well as considering the regional prospectivity and recent sale of Kossanto East which supported management's judgment that the carrying value remains appropriate. In respect of the Mowana Copper mine we compared key inputs in management's discounted cash flow forecast to market data, where possible, and performed sensitivity analysis on key inputs. The net present value of $278.2m supported management's assessment that no impairment was appropriate. We reviewed the Competent Person's Report and confirmed its consistency with the Life of Mine plan and assessed the independence and competence of the expert. We checked the disclosures against the requirements of the relevant underlying framework and that related policies, judgments and estimates were adequately disclosed.
Our Findings: Based on our procedures we consider the Board's conclusions in respect of impairment to be supportable. We found the disclosures in the financial statements to be sufficient.	

Our application of materiality

	Group materiality	Basis for materiality
FY 2017	£1,300,000	Materiality based on 1.5% of group assets.
FY 2016	£415,000	Materiality based on 2% of group assets.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRADLE ARC PLC

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

We consider total assets to be the financial metric of most interest to shareholders and other users of the financial statements following the acquisition of the Mowana copper mine which remained in a commissioning phase during the year, together with the group's focus on exploration activities. We therefore consider this an appropriate basis for materiality. In 2016 we had used a slightly higher percentage of total assets but having considered market trends and developments in the business the materiality benchmark was revised downwards.

Materiality in respect of the audit of the parent company was set at £412,000 (2016: 174,000) using a benchmark of 1.7% (2016: 2%) of total assets.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality for the group was set at £975,000 (2016: £311,250). Performance materiality for the parent company was set at £309,000 (2016: £130,000). Details of performance materiality for components of the group are set out below.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £54,300 (2016: £18,200). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit focussed on the group's significant components which comprised the parent company, Cradle Arc Investments (Pty) Limited which includes the Mowana Copper mine, Luiri Limited which held the Matala project, and Caracal Gold Mali SARL which holds significant exploration licences. Whilst materiality for the financial statements as a whole was £1,300,000, each significant component of the Group was audited to a lower level of performance materiality ranging from £405,000 to £730,000. BDO LLP audited 3 of the significant components in the UK whilst the audit of Cradle Arc Investments (Pty) Limited was principally performed in Botswana and South Africa and was audited by a BDO member firm in South Africa under our direction and supervision as group auditors under ISA 600.

As part of our audit strategy, as group auditors:

- Detailed group reporting instructions were sent to the component auditor, which included the significant areas to be covered by the audit (including areas that were considered to be key audit matters as detailed above), and set out the information required to be reported to the group audit team.
- The group audit partner and senior members of the group audit team visited South Africa and met with management during the execution phases of the audit.
- We performed a review of the component audit files in South Africa and held meetings with the component audit team during the planning and completion phases of their audit.
- The group audit team was actively involved in the direction of the audits performed by the component auditors for group reporting purposes, along with the consideration of findings and determination of conclusions drawn. We performed our own additional procedures in respect of certain of the significant risk areas that represented Key Audit Matters in addition to the procedures performed by the component auditor.

The remaining components of the group were considered non-significant and such components were subject to analytical review procedures together with substantive testing on group audit risk areas applicable to that component, carried out by the group audit team.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRADLE ARC PLC

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 directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ryan Ferguson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
27 June 2018

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

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
As at 31 December 2017 **Company number: 05315922**

		Group		Company	
	Note	**2017**	2016	**2017**	2016
		£	£	**£**	£
Non-Current Assets					
Property, plant and equipment	6	**50,303,915**	59,570	**2,031**	1,322
Intangible assets	7	**33,199,593**	17,293,044	**-**	-
Investment in subsidiaries	8	**-**	-	**18,443,544**	8,065,329
Available-for-sale financial assets	9	**-**	32,500	**-**	32,500
		83,503,508	17,385,114	**18,445,575**	8,099,151
Current Assets					
Trade and other receivables	10	**870,433**	424,992	**5,219,636**	411,758
Cash and cash equivalents	11	**80,334**	277,132	**71,543**	202,086
Inventories	12	**1,755,527**	-	**-**	-
		2,706,294	702,124	**5,291,179**	613,844
Total Assets		**86,209,802**	18,087,238	**23,736,754**	8,712,995
Equity attributable to the Owners of Parent Company					
Share capital	17	**4,666,699**	4,624,021	**4,666,699**	4,624,021
Share premium	17	**16,545,545**	14,752,068	**16,545,545**	14,752,068
Other reserve	17	**4,355,131**	-	**4,355,131**	-
Share option reserve	18	**63,166**	88,829	**63,166**	88,829
Available-for-sale financial asset reserve		**-**	(17,500)	**-**	(17,500)
Translation reserve		**1,511,818**	1,831,203	**-**	-
Retained losses		**(19,753,634)**	(8,452,065)	**(17,447,468)**	(11,536,377)
Non-controlling interest	30	**8,937,641**	**-**	**-**	**-**
Total Equity		**16,326,366**	12,826,556	**8,183,073**	7,911,041
Current Liabilities					
Trade and other payables	14	**6,529,005**	429,790	**1,609,697**	312,679
Borrowings and finance leases	15	**14,221,544**	-	**5,943,984**	-
Contingent share consideration on acquisition – to be settled in variable number of shares	29	**7,500,000**	-	**7,500,000**	-
		28,250,549	429,790	**15,053,681**	312,679
Non-current liabilities					
Other payables (deferred consideration)	14	**500,000**	307,500	**500,000**	307,500
Borrowings and finance leases	15	**30,712,298**	181,775	**-**	181,775
Deferred income tax liabilities	16	**4,256,943**	4,341,617	**-**	-
Restoration provision	13	**6,163,646**	-	**-**	-
		41,632,887	4,830,892	**500,000**	489,275
Total Liabilities		**69,883,436**	5,260,682	**15,553,681**	801,954
Total Equity and Liabilities		**86,209,802**	18,087,238	**23,736,754**	8,712,995

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company Income Statement and Statement of Comprehensive Income. The Company loss for the year was £5,973,151 (2016: £2,271,501).

The Financial Statements were approved and authorised for issue by the Board on 27 June 2018 and were signed on its behalf by:

Kevin Van Wouw

The Notes on pages 30 to 67 form part of these Financial Statements.

CRADLE ARC PLC

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017

	Note	Group 2017 £	Group 2016 £
Revenue	**5**	**570,579**	-
Cost of sales		**(200,964)**	-
Gross profit		**369,615**	-
Other administration expenses	19	**(2,705,078)**	(822,350)
Foreign exchange gains/(losses)		**24,688**	(132)
Impairments	7	**(12,553,949)**	(3,563,132)
Total administrative expenses		**(15,234,339)**	(4,385,614)
Other net gains/(losses)	22	**50,417**	42,263
Operating (loss)/profit		**(14,814,307)**	(4,343,351)
Finance income	23	**343**	500
Foreign exchange gains on borrowings		**2,534,732**	-
Finance costs	23	**(1,561,376)**	-
Loss before income tax		**(13,840,608)**	(4,342,851)
Income tax	24	**3,046,774**	-
Loss after income tax		**(10,793,834)**	(4,342,851)
Attributable to owners of the Parent		**(11,363,629)**	(4,342,851)
Attributable to non-controlling interest	30	**569,795**	-
		(10,793,834)	(4,342,851)
Earnings per share attributable to owners of the Parent during the year			
Basic (loss)/earnings per share (pence)			
From continuing operations		**(0.43p)**	**(0.18p)***
From (loss)/profit for the year	25	**(0.43p)**	**(0.18p)***
Diluted (loss)/earnings per share (pence)			
From continuing operations		**(0.43p)**	**(0.18p)***
From (loss)/profit for the year	25	**(0.43p)**	**(0.18p)***

*Comparative loss per share is presented adjusted for the effect of the share consolidation in the current year.

The Notes on pages 30 to 67 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	Group 2017 £	2016 £
Loss for the year		**(10,793,834)**	(4,342,851)
Other Comprehensive Income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		**(319,384)**	2,280,495
Change in fair value available for sale investment		**-**	24,850
Recycling of accumulated fair value movements on disposal of available-for-sale financial assets	9	**17,500**	-
Total Comprehensive Income for the Year		**(11,095,718)**	(2, 037,506)
Total Comprehensive Income for the Year Attributable to non-controlling interest, net of tax		**569,795**	-
Total Comprehensive Income for the Year Attributable to Owners of the Parent, net of tax		**(10,525,923)**	**(2,037,506)**

The Notes on pages 30 to 67 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Attributable to owners of the Parent								
	Share capital	Share premium	Other reserve	Share option reserve	Available for sale asset reserve	Translation reserve	Retained losses	Non-controlling interest	Total equity
	£	£	£	£	£	£	£	£	£
Balance as at 1 January 2016	**4,412,421**	**13,446,703**	**-**	**106,080**	**(42,350)**	**(449,292)**	**(4,161,153)**	**-**	**13,312,409**
Loss for the period	-	-	-	-	-	-	(4,342,851)	-	(4,342,851)
Other comprehensive income									
Currency translation difference	-	-	-	-	-	2,280,495	-	-	2,280,495
Change in value of available-for-sale financial assets	-	-	-	-	24,850	-	-	-	24,850
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**24,850**	**2,280,495**	**(4,342,851)**	**-**	**(2,037,506)**
Issue of shares	164,375	1,110,625	-	-	-	-	-	-	1,275,000
Loan note conversion	43,350	303,451	-	-	-	-	-	-	346,801
Issue cost	-	(135,836)	-	-	-	-	-	-	(135,836)
Exercise of options & warrants	3,875	27,125	-	(4,922)	-	-	4,922	-	31,000
Grant of options & warrants	-	-	-	34,688	-	-	-	-	34,688
Expiry of options & warrants	-	-	-	(47,017)	-	-	47,017	-	-
Total transactions with owners, recognised directly in equity	**211,600**	**1,305,365**	**-**	**(17,251)**	**-**	**-**	**51,939**	**-**	**1,551,653**
Balance as at 31 December 2016	**4,624,021**	**14,752,068**	**-**	**88,829**	**(17,500)**	**1,831,203**	**(8,452,065)**	**-**	**12,826,556**
Balance as at 1 January 2017	**4,624,021**	**14,752,068**	**-**	**88,829**	**(17,500)**	**1,831,203**	**(8,452,065)**	**-**	**12,826,556**
Profit/Loss for the year	-	-	-	-	-	-	(11,363,629)	569,795	(10,793,834)
Other comprehensive income									
Currency translation differences	-	-	-	-	-	(319,385)	-	-	(319,385)
Recycling of available-for-sale financial asset reserve	-	-	-	-	17,500	-	-	-	17,500
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**17,500**	**(319,385)**	**(11,363,629)**	569,795	**(11,095,719)**
Issue of shares	38,423	1,557,445	-	-	-	-	-	-	1,595,868
Loan note conversion	118	236,032	-	-	-	-	-	-	236,150
Shares issued upon acquisition (CAI and Matala)	4,137	-	4,355,131	-	-	-	-	-	4,359,268
Grant of options & warrants	-	-	-	36,397	-	-	-	-	36,397
Expiry of options & warrants	-	-	-	(62,060)	-	-	62,060	-	-
Non-Controlling interest arising from business combination	-	-	-	-	-	-	-	8,367,846	8,367,846
Transactions with owners, recognised directly in equity	**42,678**	**1,793,477**	**4,355,131**	**(25,663)**	**-**	**-**	**62,060**	**8,367,846**	**14,595,529**
Balance as at 31 December 2017	**4,666,699**	**16,545,545**	**4,355,131**	**63,166**	**-**	**1,511,818**	**(19,753,634)**	**8,937,641**	**16,326,366**

The Notes on pages 30 to 67 form part of these Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Attributable to equity shareholders						
	Share capital £	Share premium £	Other reserve £	Share option reserve £	Available-for-sale financial asset reserve £	Retained losses £	Total equity £
As at 1 January 2016	**4,412,421**	**13,446,703**	**-**	**106,080**	**(42,350)**	**(9,316,815)**	**8,606,039**
Loss for the year	-	-	-	-	-	(2,271,501)	(2,271,501)
Other comprehensive income							
Change in value of available-for-sale financial assets	-	-	-	-	24,850	-	24,850
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**24,850**	**(2,271,501)**	**(2,246,651)**
Issue of shares	164,375	1,110,625	-	-	-	-	1,275,000
Loan note conversion	43,350	303,451	-	-	-	-	346,801
Issue costs	-	(135,836)	-	-	-	-	(135,836)
Exercise of options & warrants	3,875	27,125	-	(4,922)	-	4,922	31,000
Grant of options & warrants	-	-	-	34,688	-	-	34,688
Expiry of options & warrants	-	-	-	(47,017)	-	47,017	-
Transaction with owners, recognised directly in equity	**211,600**	**1,305,365**		**(17,251)**	**-**	**51,939**	**1,551,653**
As at 31 December 2016	**4,624,021**	**14,752,068**	**-**	**88,829**	**(17,500)**	**(11,536,377)**	**7,911,041**
As at 1 January 2017	**4,624,021**	**14,752,068**	**-**	**88,829**	**(17,500)**	**(11,536,377)**	**7,911,041**
Loss for the year	-	-	-	-	-	(5,973,151)	(5,973,151)
Other comprehensive income							
Recycling of available-for-sale financial asset reserve	-	-	-	-	17,500	-	17,500
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**17,500**	**(5,973,151)**	**(5,955,651)**
Issue of shares	38,423	1,557,445	-	-	-	-	1,595,868
Issue costs	-	-	-	-	-	-	-
Loan note conversion	118	236,032	-	-	-	-	236,150
Shares issued upon acquisition (CAI and Matala)	4,137	-	4,355,131	-	-	-	4,359,268
Grant of options & warrants	-	-	-	36,397	-	-	36,397
Expiry of options & warrants	-	-	-	(62,060)	-	62,060	-
Transaction with owners, recognised directly in equity	**42,678**	**1,793,477**	**4,355,131**	**(25,663)**	**-**	**62,060**	**6,227,683**
As at 31 December 2017	**4,666,699**	**16,545,545**	**4,355,131**	**63,166**	**-**	**(17,447,468)**	**8,183,073**

The Notes on pages 30 to 67 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

		Group	
		2017	2016
	Note	**£**	£
Cash flows from operating activities			
(Loss)/profit after taxation		**(10,793,834)**	(4,342,851)
Adjustments for:			
Taxation credit	24	**(3,046,774)**	-
Finance income	23	**-**	(500)
Finance costs	23	**1,561,376**	-
Depreciation	6	**40,801**	66,260
Profit on sale of property, plant and equipment		**-**	(40,301)
Non-cash consulting fees		**115,000**	-
Share options expense		**36,397**	25,352
Impairment of cash deposits		**-**	21,307
Impairment charges	7	**12,553,949**	3,563,132
Decrease/(increase) in trade and other receivables		**(59,511)**	(78,485)
Increase/(decrease) in trade and other payables		**1,467,078**	102,295
Unrealised gain on foreign exchange		**(2,539,160)**	(16,260)
Net cash used in operating activities		**(664,678)**	(700,051)
Cash flows from investing activities			
Interest received		**-**	500
Acquisition of subsidiaries (net of cash acquired)	29	**705,703**	-
Proceeds from disposal of exploration assets	7	**627,005**	-
Other loans granted		**-**	(60,048)
Purchase of intangible assets – exploration	7	**(371,095)**	(698,938)
Proceeds from disposal of property, plant and equipment		-	45,725
Purchase of property, plant and equipment		**(1,869,675)**	(2,122)
Repayable loan funding advanced to Cradle Arc Investments prior to acquisition		**(4,174,640)**	-
Proceeds from disposal of available for sale investments		**50,000**	-
Net cash used in investing activities		**(5,032,702)**	(714,883)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	1,306,000
Issue costs		**-**	(126,500)
Proceeds on Convertible Loan Note borrowings		**5,052,325**	-
Finance lease payments		**(223,889)**	-
Repayment of other borrowings		**(74,122)**	-
Proceeds from other borrowings		**746,268**	-
Net cash generated from financing activities		**5,500,582**	1,179,500
Net increase/(decrease) in cash and cash equivalents		**(196,798)**	(235,434)
Cash and cash equivalents at beginning of year		**277,132**	530,003
Exchange gains on cash and cash equivalents		**-**	(17,437)
Cash and cash equivalents at end of year	11	**80,334**	277,132

The Notes on pages 30 to 67 form part of these Financial Statements.

COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Note	Company 2017 £	2016 £
Cash flows from operating activities			
Loss before taxation		**(5,973,151)**	(2,271,501)
Adjustments for:			
Finance income		**-**	(176)
Finance costs		**1,973,745**	-
Depreciation	6	**2,206**	360
Loss on disposal of subsidiaries		**-**	-
Management fees		**(439,676)**	(317,427)
Share options expense		**36,397**	25,352
Non-cash consulting fees		**115,000**	-
Impairment charges	8	**1,896,029**	1,719,720
Decrease/(increase) in trade and other receivables		**(18,643)**	(82,270)
Increase/(decrease) in trade and other payables		**987,974**	100,310
Foreign exchange		**15,326**	-
Net cash used in operating activities		**(1,404,793)**	(825,632)
Cash flows from investing activities			
Interest received		**-**	176
Proceeds from disposal of exploration assets		**627,005**	-
Loans granted to subsidiary undertakings		**(277,525)**	(600,513)
Repayable loan funding advanced to Cradle Arc Investments prior to acquisition		**(4,174,640)**	
Other loans granted		**-**	(60,048)
Purchase of property, plant and equipment		**(2,915)**	(1,682)
Proceeds from disposal of available for sale investments		**50,000**	-
Net cash used in investing activities		**(3,778,075)**	(662,067)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	1,306,000
Issue costs		**-**	(126,500)
Proceeds on Convertible Loan Note borrowings		**5,052,325**	-
Net cash generated from financing activities		**5,052,325**	1,179,500
Net increase/(decrease) in cash and cash equivalents		**(130,543)**	(308,199)
Cash and cash equivalents at beginning of year		**202,086**	510,285
Cash and cash equivalents at end of year	11	**71,543**	202,086

The Notes on pages 30 to 67 form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1. General information

The principal activity of Cradle Arc plc ("Cradle Arc" or the 'Company') and its subsidiaries (together the 'Group') is the mining of, and exploration for, minerals. The Company's shares are quoted on the AIM market of the London Stock Exchange plc. The Company is incorporated and domiciled in the UK. The address of its registered office is 27-28 Eastcastle Street, London, United Kingdom, W1W 8DH.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1. Basis of Preparation of Financial Statements

The consolidated financial statements of Cradle Arc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have also been prepared under the historical cost convention, as modified by the accounting treatment of certain financial instruments as set out below.

The financial statements are presented in UK Pounds Sterling rounded to the nearest pound.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2. Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the Company and the results of all of its subsidiary undertakings made up to 31 December 2017.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interests existing in the acquired entity at acquisition are recorded at either fair value or at the non-controlling interest's proportionate share of the fair value of identifiable assets and liabilities, elected on a transaction by transaction basis.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the non-controlling shareholder's share of changes in equity. The non-controlling interests' share of losses, where applicable, are attributed to the non-controlling interests irrespective of whether the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses. On acquisition of a non-controlling interest the relevant non-controlling interest share of equity is extinguished and the difference between the fair value of consideration paid and the relevant carrying value of the non-controlling interest is recorded in retained earnings.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Contingent consideration settled in a variable number of shares is classified as a fair value liability and transferred to equity on settlement of shares.

Investments in subsidiaries are accounted for at cost less impairment. Advances to subsidiaries are initially recorded at fair value based on a market rate of interest and subsequently at amortised cost. The difference between funds advanced and fair value is recorded in investments.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All intercompany transactions and balances between Group enterprises are eliminated on consolidation.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3. Going Concern

As part of the process for achieving admission of the Company's ordinary shares to trading on AIM in January 2018, a facility in an amount of US$7.6 million was agreed by Fujax to be made available to the group as part of the Offtake Funding Agreement in place with Leboam Holdings (Pty) Ltd. This committed facility (the "Fujax Financing Agreement") formed an integral part of the group's working capital requirements to complete the re-commissioning of the Mowana Mine to full commercial production.

Subsequent to admission, no funds were actually received pursuant to the Fujax Financing Agreement owing to a number of commercial factors, which prompted the Company to replace this facility with alternative funding by way of the issue of US$10 million of loan notes which are scheduled to mature in April 2019. Furthermore, at the end of February 2018, the plant was shut down temporarily to facilitate the completion of a mill re-line, along with other essential maintenance activities, in readiness for the pursuit of steady state operations. As a consequence of the requirement to replace the abovementioned funding that was to be provided by Fujax Minerals, such maintenance activities and the formulation of the Company's Accelerated Development Plan, there was no material change to the quantity of copper concentrate produced from that reported in the Company's general meeting circular published on 26 February 2018 prior to the commencement of the Accelerated Development Plan.

The delay in commencement of commercial production caused the Group's cash flow to be significantly lower than anticipated as standing and infrastructure costs had to be absorbed during this period from February to mid-April 2018 in preparation of the Mowana Mine commencing commercial production.

The Board has reviewed cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements. The base case cash flow forecasts indicate that the Group maintains cash headroom throughout the period without additional working capital facilities. In preparing the forecasts, significant judgment was required in respect of key assumptions such as copper prices which have been forecast at US$3.0/lb, production tonnages, grade and plant recovery rates as well as future costs and the timing of supplier payments. In particular, the forecasts assume significant growth in production volumes (tonnages, grade and recovery) in the short term associated with build up in mine production under the budgeted mine plan. In forming the production growth estimates management have considered information including drill and blast schedules, the grades in areas planned for mining based on geological data and metallurgical data on expected recovery rates.

However, the Board recognises that there is inherent risk associated with the short-term production, particularly during the transition to sustained commercial production levels. Sensitivity scenarios have been assessed in respect of copper prices, grade, plant recovery and tonnages. Under those sensitivity scenarios, in the event that production growth is significantly lower than anticipated in the next three months, the forecasts indicate that the Group would need additional working capital.

In addition, the group holds £1.3m of convertible loan notes which mature in December 2018 and a $10m loan note which matures in April 2019. The ability to meet these repayments is dependent upon a) securing sufficient short term working capital as detailed above if short term production is significantly below forecast; and b) the mine performing sufficiently in line with the budgeted mine plan and associated feasibility study over the remainder of the period.

Whilst the Board considers the mine plan will deliver significant long term value and considers the forecasts for the next 12 months to be achievable, there can be no guarantee that the production growth will be delivered in line with plan and therefore that the group can meet its working capital requirements without additional funding. The Board are in discussions to secure an additional working capital facility and remain confident that the group will secure the necessary funding, if required. However, at present there is no binding commitment in place for such funding.

These circumstances and considerations indicate the existence of a material uncertainty which may cast doubt on the group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.

2.4. New and Amended Standards

(a) New and amended standards mandatory for the first time for the financial periods beginning on or after 1 January 2017

There are no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning 1 January 2017 that had a material impact on the Group or Company.

(b) New standards, amendments and Interpretations in issue but not yet effective or not yet endorsed and not early adopted

Standards, amendments and interpretations that are not yet effective and have not been early adopted are as follows:

Standard	Impact on initial application	Effective date
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 2 (Amendments)	Share-based payments – classification and measurement	1 January 2018
Annual Improvements	2014-2016 Cycle	1 January 2018
IFRIC Interpretation 22	Foreign currency transactions and advanced consideration	1 January 2018
IFRIC 23	Uncertainty over Income tax treatments	*1 January 2019
IFRS 9 (Amendments)	Prepayment features with negative compensation	*1 January 2019
IAS 28 (Amendments)	Long term interests in associates and joint ventures	*1 January 2019

* Subject to EU endorsement

The Group is evaluating the impact of the new and amended standards above.

IFRS 15 Revenue from contracts with customers
IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The new standard becomes mandatory for financial years beginning on or after 1 January 2018. The new standard will be relevant to the Group through its copper sales, which are undertaken through an offtake agreement. The Group is currently in the process of assessing the impact of IFRS 15 to the contract following the acquisition of Cradle Arc Investments (Pty) Limited and will complete the assessment ahead of the release of its H1 2018 results.

IFRS 9 Financial instruments
The complete standard was issued in July 2014 including the requirements previously issued and additional amendments. The new standard replaces IAS 39 and includes a new expected loss impairment model, changes to the classification and measurement requirements of financial assets as well as to hedge accounting. The new standard becomes effective for financial years beginning on or after 1 January 2018. The Group is currently assessing the impact of this standard however based on current operations does not expect this standard to have a material impact on the consolidated financial statements.

IFRS 16 Leases
The new standard was issued in January 2016 replacing the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17 and, instead, introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019. The Group has a number of finance leases acquired as part of its acquisition of Cradle Arc Investments (Pty) Limited, together with service agreements which need to be assessed to determine the extent to which they contact lease arrangements. The Group is currently in the process of assessing the impact of IFRS 16.

2.5. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.6. Foreign Currencies

(a) Functional and presentation currency

Items included in the Financial Statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the UK parent entity is Pounds Sterling and the functional currency of the BVI subsidiary is US Dollars. The currency of Botswana is the Botswanan Pula and is considered to be the functional currency of the Botswanan subsidiaries following an assessment of factors including the subsidiary sales contract, cost base, funding, capital and the economic environment in which it operates. The currency of Mali is the Central African Franc, which is therefore considered to be the functional currency of the Malian subsidiary. The currency of Burkina Faso is the Central African Franc, which is therefore considered to be the functional currency of the Burkina Faso subsidiary. The currency of Zambia is the Zambian kwacha; however all material contracts and activity with the Zambian subsidiaries are denominated in US Dollars which is, therefore considered to be, its functional currency. The Financial Statements are presented in Pounds Sterling, rounded to the nearest pound, which is the Company's functional and Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains – net'.

Translation differences on non-monetary financial assets measured at fair value, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position sheet;
- income and expenses for each Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- translation differences on assets and liabilities arising on acquisitions, including fair value uplifts and goodwill, which are related to the foreign entity.
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the Statement of Comprehensive Income as part of the gain or loss on sale.

2.7. Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the Income Statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. Where goodwill is recorded in respect of the acquisition of businesses involved solely in exploration for mineral resources the carrying value is assessed for impairment with the relevant exploration assets.

(b) Exploration and evaluation

The Group recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets, relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets are recorded and held at cost.

Exploration and evaluation assets are assessed annually for impairment. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas.

Whenever the exploration for and evaluation of mineral resources in cash generating units does not lead to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to the Income Statement.

(c) Mineral properties

Mineral properties relate to the fair value attributed to mineral resources arising on acquisition. Additions to mineral properties are recorded at cost.

Mineral properties commence depreciation on a unit of production basis once the relevant mine commences commercial production and depreciation is charged on a pattern which reflects the consumption of the associated mineral reserves and resources.

Mineral properties are tested for impairment as part of the cash generating unit to which they relate, which is typically determined to be the relevant mine.

2.8. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Costs incurred which are directly attributable to enhancing the economic value of the mine are capitalised during commissioning of the mine as ‘mine set up cost’ and include costs such as consumables utilised in the commissioning phase, power and salaries and wages for personnel involved in commissioning the asset. During the commissioning phase, revenue generated is considered to be test production and an adjustment is recorded to increase cost of sales and reduce mine set up costs equal to the margin attributable to such revenues.

Property, plant and equipment is depreciated over the shorter of the estimated useful life of the asset using the straight-line method, or the life of mine using the unit of production method and life of mine tonnes:

Mining properties – units of production
Plant and mining equipment – units of production
Field equipment – 20% straight line
Motor vehicles – 20% straight line
Computer equipment – 20-50% straight line

Property, plant and equipment related to mining activity starts to be depreciated once the mine is available for use and able to operate in the manner intended by management. This is considered to be the point at which commercially viable steady state levels of production are achieved, with reference to the life of mine plan.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains' in the Income Statement.

2.9. Impairment of non-financial assets

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10. Financial Assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables; and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, cash and cash equivalents in the Statement of Financial Position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchasing or selling the asset. Financial assets are de-recognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value unless the Group is precluded from doing so as, in the case of unlisted equity securities, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. In such circumstances available-for-sale financial assets are held at cost and reviewed annually for impairment.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Income Statement as "gains and losses from investment securities."

Interest on available-for-sale securities calculated using the effective interest method is recognised in the Income Statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the Income Statement as part of other income when the Group's right to receive payments is established.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

2.11. Trade Receivables

Trade receivables are amounts due from third parties in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not they are presented as non-current assets.

Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, and are subject to an insignificant risk of changes in value.

2.13. Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14. Share Based Payments

The Group operates a number of equity-settled, share-based schemes, under which the entity receives services from employees or third party suppliers as consideration for equity instruments (options and warrants) of the Group. The fair value of the third party suppliers’ services received in exchange for the grant of the options is recognised as an expense in the Statement of Comprehensive Income or charged to equity depending on the nature of the service provided. The value of the employee services received is expensed in the Income Statement and its value is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense or charge is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Income Statement or equity as appropriate, with a corresponding adjustment to a separate reserve in equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

2.15. Reserves

Share Premium Reserve **–** the share premium reserve includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium.

Other reserve – refers to the premium above nominal value of shares issued as consideration under the acquisition of 100% of the shares of Luiri Gold Mines Limited and Cradle Arc Investments (Pty) Limited which qualified for merger relief under Companies Act 2006.

Share Option Reserve **–** the share option reserve represents the total fair value of share based options and warrants of the Group measured at grant date and spread over the period over which the options or warrants vest.

Available-For-Sale Financial Asset Reserve **–** the available-for-sale financial asset reserve represent the changes in fair value of monetary and non-monetary securities classified as available-for-sale financial assets.

Translation Reserve – the translation reserve represents the cumulative differences arising due to foreign exchange on consolidation of all the Company’s subsidiaries.

Retained Losses – the retained losses reserve includes all current and prior periods retained profit and losses.

Non-controlling interest – the non-controlling interest refers to the 40% minority shareholding in Leboam Holdings Limited.

2.16. Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

2.17. Taxation

There has been no tax credit or expense for the period relating to current or deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax assets and liabilities are not discounted.

2.18. Leases

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset. Leases of plant and equipment where the group assumes a significant portion of risks and rewards of ownership are classified as a finance lease. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and the finance charges to achieve a constant rate on the finance balance outstanding. The interest portion of the finance payment is charged to the statement of comprehensive income over the lease period. The plant and equipment acquired under the finance lease are depreciated over the useful lives of the assets, or over the lease term if shorter.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.19. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods or services supplied in course of ordinary business, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for the Group's activities described below.

The Group generates revenue from the sale of copper under an offtake agreement. Revenue is recorded when risks and rewards have substantially passed under the contract and the sale proceeds can be reliably measured, which is considered to be the point at which the offtake provider takes title and possession and is responsible for the insurance risk on the concentrate. As sales from gold contracts are subject to customer survey adjustment and copper prices subsequent to the date of shipment, sales are initially recorded on a provisional basis using the group's best estimate of the contained metal and market forward copper prices. Subsequent adjustments are recorded in revenue to take into account from final copper content and pricing.

Revenue is recognised in respect of amounts recharged to project strategic partners in accordance to their contractual terms.

2.20. Finance income

Interest income is recognised using the effective interest method.

2.21. Borrowings

Compound financial instruments not designated at fair value through profit and loss

Compound financial instruments issued by the Group as a form of consideration for business combinations comprise convertible notes that can be converted to share capital at the option of the holder and include a host liability together with a derivative.

The derivative portion is initially recorded at fair value and the liability component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the derivative component.

Subsequent to their initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The derivative component of a compound financial instrument is held at fair value where material, determined using a Black Scholes model.

Convertible financial instruments designated at fair value through profit and loss

When a convertible instrument meets the qualifying criteria under IFRS and is designated as a fair value through profit and loss instrument at inception it is initially recorded at fair value based on the transaction proceeds and subsequently held at fair value with changes in fair value recorded in the income statement.

2.22. Deferred consideration

Deferred consideration issued as part of a business combination to be settled in cash but with an option for either party to settle in shares in a form which significantly modifies the cash flows that would otherwise be required under the agreement is initially recorded at fair value and designated as fair value through profit and loss. Subsequent changes in the fair value of the deferred consideration are recorded in the income statement.

2.23. Joint operations

The group is a party to joint arrangements when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. The group classifies its interests in joint arrangements as a joint operation where it has both the rights to assets and obligations of the joint arrangement.

The Group accounts for its interests in joint operations by recognizing its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. Where the Group enters into an 'earn in' arrangement by which the partner funds the costs of exploration and receives a percentage interest in the asset in return for the works performed and milestones achieved, the costs incurred by the partner are not recorded by Group.

2.24. Restoration provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present values, are provided for in full as soon as the obligation to incur such costs arises and can be quantified. On recognition of a full provision, an addition is made to property, plant and equipment of the same amount; this addition is then charged against profits on a unit of production basis over the life of the mine. Closure provisions are updated annually for changes in cost estimates as well as for changes to life of mine, with the resulting adjustments made to both the provision balance and the net book value of the associated non-current asset.

2.25. Inventories

Inventories include ore stockpiles, concentrates, stores and materials, and are stated at the lower of cost or net realisable value. The cost of ore stockpiles and copper concentrate produced is determined principally by the weighted average cost method using related production costs.

Cost of ore stockpiles include costs incurred up to the point of stockpiling, such as mining and grade control costs, but exclude future costs of production. Ore extracted is allocated to stockpiles based on estimated grade, with grades below defined cut-off levels treated as waste and expensed.

The net realisable value of ore stockpiles is determined with reference to estimated contained copper and market copper prices applicable less applicable deductions under offtake agreements.

Costs of copper concentrate inventories include all costs incurred up until production of metal such as milling costs, mining costs and directly attributable mine general and administration costs but exclude transport costs, refining costs and royalties. Net realisable value is determined with reference to estimated contained copper and market copper prices less applicable deductions under offtake agreements.

Stores and materials consist of consumable stores and are valued at weighted average cost after appropriate impairment of redundant and slow moving items. Consumable stock for which the group has substantially all the risks and rewards of ownership are brought onto the statement of financial position as current assets.

2.26. Interest/borrowing costs

Interest is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity. Borrowing costs are expensed as incurred except to the extent that it relates directly to the construction of property, plant and equipment during the time that is required to complete and prepare the asset for its intended use, when it is capitalised as part of property, plant and equipment. Borrowing costs are capitalised as part of the cost of the asset where it is probable that the asset will result in economic benefit and where the borrowing cost can be measured reliably.

3. Financial Risk Management

3.1. Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors.

Market Risk (including foreign currency risk)

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Botswana Pula, Central African Franc, Zambian kwacha, Mauritanian Ouguiya and the Pound Sterling.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group negotiates all material contracts for exploration activities in relation to its subsidiaries in either Pounds Sterling or Euros which in the Directors' opinion are more stable than the respective local currencies. The Group's Botswanan operation holds certain funding instruments in US Dollars which creates foreign exchange risk but the majority of its trading contracts are denominated on Botswanan Pula to reduce currency risk. The Group also holds minimal liquid assets in Central African Franc, Zambian kwacha and Mauritanian Ouguiya. The Group does not hedge against the risks of fluctuations in exchange rates. The volume of transactions is not deemed sufficient to enter into forward contracts. The Directors will continue to assess the effect of movements in exchange rates on the Group's financial operations and initiate suitable risk management measures where necessary.

Credit Risk

Credit risk arises from cash and cash equivalents as well as outstanding receivables. Management does not expect any losses from non-performance of these receivables. The maximum credit risk is represented by the carrying value of the assets.

The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 11 and 26.

Liquidity Risk

In keeping with similar sized mineral exploration and production groups, the Group's continued future operations depend on the ability to generate sufficient working capital through its mine production, ability to raise debt funding and the issue of equity share capital.

Fair value hierarchy

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

3.2. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to enable the Group to continue its exploration, evaluation and production activities, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the issue of shares or sell assets to reduce debts.

At 31 December 2017 the Group had convertible loan note liabilities of £5,652,325 (2016: £181,775), finance lease liabilities of £5,238,699 and borrowings of £33,751,165 and defines capital based on the total equity of the Company.

4. Critical Accounting Estimates and Judgements

The preparation of the Financial Statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce these Financial Statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant items subject to such estimates and assumptions include, but are not limited to:

Accounting for the acquisition of Cradle Arc Investments (Pty) Limited (Mowana)

As detailed in Note 29, the Group acquired 100% of the share capital of Cradle Arc Investments (Pty) Limited ("CAI") on 13 November 2017 with consideration comprised of deferred cash consideration, Consideration Shares and Additional Consideration Shares to provide the vendors with a 60% shareholding in the Company following a £5 million fundraise on or before admission of the Company's ordinary shares to trading on the AIM market of the London Stock Exchange ("Admission").

Judgment was required in determining whether the transaction represented a business combination under IFRS 3 in which the Company acquired control of CAI or a reverse acquisition for accounting purposes in which CAI acquired control of the Company. In concluding that the transaction represented a business combination in which the Company acquired control of CAI various factors and indicators were considered including the impact of the Relationship Agreement entered by the vendors which restricts their ability to make changes to the Board whilst their shareholding is above 20%, the composition of the Board and senior management, the relative size of the respective businesses and the terms of the acquisition as well as the background to the transaction.

Judgment and estimation was required in assessing the fair value of assets and liabilities acquired at acquisition as shown in Note 29.

Judgment was also required in determining the fair value of consideration. Under the terms of the transaction, the vendors received an initial 40,517,689 of Consideration shares on 13 November 2017 together with a right to a further tranche of Additional Consideration Shares upon the Company's Admission due to be completed shortly thereafter. The Additional Consideration Shares were intended to maintain the vendors' 60% shareholding after allowing for the otherwise dilutionary impact of the £2.4m share placing at 10p per share and conversion of loan notes and other instruments as part of Admission (up to a maximum value of £5 million). Following assessment of alternative approaches, the fair value of the overall share consideration was determined with reference to the placing price in January 2018 as the best market evidence of fair value. The fair value has been allocated between the Consideration Shares issued at acquisition and the Additional Consideration Shares to be issued upon Admission (classified as a liability due to the variability in the number of shares to be issued), which together formed part of the consideration for the acquisition. In assessing the fair value of the elements of share consideration judgment was also required in determining the probability of Admission and whether material changes in the fair value of the shares existed between acquisition and Admission.

Carrying value of mineral properties and mining related assets

The Group holds mineral property of £29,922,459 and mining related assets of £50,079,058 related to the Mowana mine as detailed in Note 6 and 7. Judgment and estimation was required in performing an impairment indicator review under IFRS. In concluding that no impairment was applicable the Group considered the Life of Mine Plan which indicates substantial net present value in excess of the carrying value of the assets, the Competent Person's Report and Reserves and Resources Statement and the recent acquisition fair value.

Restoration provision

The Group's restoration provision totals £5,096,290 and is shown in Note 13. The provision required estimates regarding the extent and cost of decommissioning and rehabilitation works, the timing of such works and the appropriate inflation and discount rates. The restoration requirements and cost was supported by an external environment report and inflation of 3.2% and discount rate of 4.98%.

Ore stockpiles

The Group holds an ore stockpile of £486,782 as detailed in Note 12 held at net realisable value and the assessment of carrying value requires significant judgment and estimation. The net realisable value has been determined based on assessment of prevailing copper prices less adjustments for discounts under the offtake agreements, estimates of the cost to process allowing for the nature of the stockpile and estimates of copper content.

Commercial production and cost capitalisation

Judgment is required in determining the point at which the Group reaches commercial production and is available for use as intended and its assets should begin to be depreciated. In concluding that the Mowana mine has yet to reach commercial production at year end the Group considered mining volumes and the nature of ores mined, plant throughout and recovery rates against the Life of Mine plan and other factors. Judgment has been required in determining which costs are eligible for capitalisation during the period prior to commercial production being achieved.

Impairment of exploration and evaluation costs

Exploration and evaluation costs have a carrying value at 31 December 2017 of £3,163,710 (2016: £17,179,620). Management tests for impairment indicators under IFRS 6 annually to assess whether exploration projects have future economic value in accordance with the accounting policy stated in Note 2.7 to the Financial Statements. Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned during the year warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long term metal prices, anticipated resource volumes and supply and demand outlook and strategic priorities. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside a decision will be made to discontinue exploration and the asset impaired. Similarly, if the licence is due to expire and the Group do not believe the licence will be renewable the asset is impaired. The Directors also consider the values indicated by transactions subsequent to the year end where applicable. The Directors have reviewed the estimated value of each project prepared by management and have concluded that an impairment charge of £12,553,949 is appropriate as detailed in note 7.

Value Added Taxation

The Company has VAT receivable of £546,406 (2016: £344,203) and there is an ongoing inquiry by HMRC regarding the Company's VAT registration. The Directors' are confident that the VAT registration in place for the Company is fully compliant and will result in a repayment of VAT to the Company but have exercised judgment in forming this assessment given the inquiry. Refer to note 26.

Contingent consideration

As part of the acquisition of Gazelle Resources Inc, the Group has entered into a contractual arrangement with Swala Resources Inc ('Swala'), in which, under certain milestones being reached, would result in the Group paying further consideration of US$1.5m. For full details on the arrangement, please see Note 27.

The Directors have reviewed the progress of the project and consider reaching the milestones unlikely. Given this, the Directors have assessed the fair value of the contingent consideration to be nil and consider that it is unlikely that the Company will have any additional liability arising.

5. Segment Information

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions. During the prior year the Group had interests in six geographical segments; the United Kingdom, Botswana, Mauritania, Burkina Faso, Mali and Zambia. Activities in the UK are mainly administrative in nature whilst the activities in Botswana, Mauritania, Burkina Faso, Mali and Zambia relate to exploration and evaluation work. During 2017, the Group acquired the Mowana mine in Botswana.

Segment assets exclude tax assets and assets used primarily for corporate purposes. Segment liabilities exclude tax liabilities. Loans and borrowings are allocated to the segments based on relevant factors (e.g. funding requirements). Details are provided in the reconciliation from segment assets and liabilities to the group position.

2016	Burkina Faso £	Mauritania £	Mali £	UK £	Zambia £	Intra-segment balances £	Total £
Revenue	-	-	-	-	-	-	**-**
Administrative expenses	(41,237)	(1,828)	(90,240)	(574,508)	(114,669)	-	**(822,482)**
Impairments	-	(961,523)	(2,601,609)	-	-	-	**(3,563,132)**
Other net gains/(losses)	47,140	(20,743)	-	15,780	86	-	**42,263**
Profit/(loss) from operations per reportable segment	5,903	(984,094)	(2,691,849)	(558,728)	(114,583)	-	**(4,343,351)**
Capital expenditure	76,378	9,932	50,886	-	561,742	-	**698,938**
Reportable segment assets	5,559,806	-	3,610,515	8,712,995	10,482,122	(10,278,200)	**18,087,238**
Reportable segment liabilities	5,633,347	1,719,720	3,919,571	801,953	10,602,005	(17,415,914)	**5,260,682**

2017	Botswana	Burkina Faso £	Mauritania £	Mali £	UK £	Zambia £	Intra-segment balances £	Total £
Revenue	199,306	-	-	280,800	90,473	-	-	**570,579**
Cost of sales	(200,964)	-	-	-	-	-	-	**(200,964)**
Administrative expenses	(131,347)	(26,963)	-	(127,084)	(2,154,305)	(265,379)	-	**(2,705,078)**
Foreign exchange	-	-	-	-	24,688	-	-	**24,688**
Impairments	-	(579,637)	-	-	-	(11,974,312)	-	**(12,553,949)**
Other net gains/(losses)	-	-	-	-	50,417	-	-	**50,417**
Profit/(loss) from operations per reportable segment	(133,005)	(606,600)	-	153,716	(1,988,727)	(12,239,691)	-	**(14,814,307)**
Capital expenditure (including exploration)	(1,866,760)	(72,951)	-	(9,958)	(2,915)	(288,186)	-	**(2,240,770)**
Reportable segment assets	62,960,640	5,065,461	-	3,450,771	23,736,754	9,549,431	(18,553,255)	**86,209,802**
Reportable segment liabilities	53,764,103	5,947,117	1,725,433	3,472,413	15,553,681	10,082,753	(20,662,064)	**69,883,436**

A reconciliation of adjusted loss from operations per reportable segment to profit/(loss) before tax is provided as follows:

	2017	2016
	£	£
Profit/(loss) from operations per reportable segment	**(14,814,307)**	(4,343,351)
Finance income	**343**	500
Finance costs	**(1,561,376)**	-
Foreign exchange	**2,534,732**	-
Income tax	**3,046,774**	-
Profit/(loss) for the year after taxation	**(10,793,834)**	(4,342,851)

Revenue for the year comprised £200,964 (2016: Nil) of copper sales for the period since the acquisition of Mowana Copper mine and £369,615 (2016: £nil) of management fees to strategic partners.

6. Property, Plant and Equipment

	Group				
	Mining properties, plant and equipment £	Vehicles £	Office equipment £	Software £	Total £
Cost					
As at 1 January 2016	**266,504**	**184,500**	**39,583**	**1,495**	**492,082**
Acquired through acquisition of subsidiary	-	-	2,122	1,683	3,805
Disposals	(62,990)	(42,878)	(1,687)	-	(107,555)
Foreign exchange differences	44,084	35,160	7,163	-	86,407
As at 31 December 2016	**247,598**	**176,782**	**47,181**	**3,178**	**474,739**
Acquired through acquisition of subsidiary	45,339,946	-	-	-	45,339,946
Additions	3,328,113	133,838	66,150	-	3,528,101
Disposals	-	-	-	-	-
Foreign exchange differences	1,414,805	8,110	3,234	-	1,426,149
As at 31 December 2017	**50,330,462**	**318,730**	**116,565**	**3,178**	**50,768,935**
Depreciation					
As at 1 January 2016	**182,828**	**165,030**	**29,824**	**1,495**	**379,177**
Charge for the year	54,197	8,990	2,712	361	66,260
Disposals	(57,566)	(42,878)	(1,687)	-	(102,131)
Foreign exchange differences	34,033	32,707	5,123	-	71,863
As at 31 December 2016	**213,492**	**163,849**	**35,972**	**1,856**	**415,169**
Charge for the year	29,278	8,208	2,475	840	40,801
Disposals	-	-	-	-	-
Foreign exchange differences	8,634	(225)	641	-	9,050
As at 31 December 2017	**251,404**	**171,832**	**39,088**	**2,696**	**465,020**
Net book value					
As at 31 December 2016	34,106	12,933	11,209	1,322	59,570
As at 31 December 2017	**50,079,058**	**146,898**	**77,477**	**482**	**50,303,915**

No depreciation has been charged on mining properties and plant and equipment associated with the Mowana Copper mine in the period as the mine is yet to enter commercial production. Refer to note 15 for details of finance leases secured over equipment. Additions are stated net of test production adjustments whereby cost of sales are increased and PP&E reduced to eliminate the margin on revenues during the pre-commercial production period.

	Company		
	Software	Computer equipment	Total
	£	£	£
Cost			
As at 1 January 2016	**-**	**10,941**	**10,941**
Acquired	1,682	-	1,682
As at 31 December 2016	**1,682**	**10,941**	12,623
Acquired	-	2,915	2,915
As at 31 December 2017	**1,682**	**13,856**	**15,538**
Depreciation			
As at 1 January 2016	**-**	**10,941**	**10,941**
Charge for the year	360	-	360
As at 31 December 2016	**360**	**10,941**	**11,301**
Charge for the year	840	1,366	2,206
As at 31 December 2017	**1,200**	**12,307**	**13,507**
Net book value			
As at 31 December 2016	**1,322**	**-**	**1,322**
As at 31 December 2017	**482**	**1,549**	**2,031**

7. Intangible Assets

	Group	
Exploration & Evaluation Assets - Cost and Net Book Value	**2017**	2016 £
At 1 January	**17,179,620**	16,677,503
Additions	**371,095**	698,938
Disposals	**(627,005)**	-
Impairment	**(12,553,949)**	(3,272,343)
Foreign exchange differences	**(1,206,051)**	3,075,522
At 31 December	**3,163,710**	17,179,620

	Group	
Mineral properties - Cost and Net Book Value	**2017 £**	2016 £
At 1 January	**-**	-
Acquired through acquisition of subsidiary (note 29)	**28,353,159**	-
Foreign exchange differences	**612,597**	-
Additions	**956,703**	
At 31 December	**29,922,459**	-

	Group	
Goodwill - Cost and Net Book Value	**2017 £**	2016 £
At 1 January	**113,424**	404,213
Disposals	**-**	-
Impairment	**-**	(290,789)
At 31 December	**113,424**	113,424

The Mowana mine was acquired during the year in Botswana as detailed in note 29.

Exploration projects in Burkina Faso, Mauritania, Zambia and Mali are at an early stage of development. The Kossanto Project has a JORC Code compliant inferred resource estimate of 247,000 oz Au as at 31 December 2017 and the Zambian exploration asset had a gold JORC compliant resource estimate of 760,000 ounces in the measured, indicated and inferred categories at an average grade of 2.3 grams per ton. The remaining projects had no JORC or non-JORC compliant resource estimates available to enable value in use calculations to be prepared. The Directors undertook an assessment of the following areas and circumstances that could indicate the existence of impairment:

- The Group's right to explore in an area has expired, or will expire in the near future without renewal;
- No further exploration or evaluation is planned or budgeted for;
- A decision has been taken by the Board to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves; and
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

An impairment review of exploration and evaluation assets is carried on out an annual basis in order to ensure that it is valued at the lower of cost and recoverable amount. Following their assessment, the Directors concluded that an impairment charge of £11,974,312 was necessary at the year end to reflect the fair value for Zambian licenses equivalent to £1,853,054 ($2,500,000) based on the terms of the option agreement entered into for the asset post year end. No value was attributed to future royalties given the project remains in a pre-development phase.. The Directors also concluded given the current security situation with the assets held in Burkina Faso that a full impairment to nil value was necessary and an impairment charge of £579,637 has been booked. Refer to note 4.

In 2016, following their assessment, the Directors concluded that an impairment charge of £961,523 was necessary to provide for Mauritanian licences that are not intended to be renewed and a charge of £2,310,820 was applied to the Kossanto East licenses held in Mali to reflect market value at year end based on the subsequent sale value achieved on the disposal of the licence to Ashanti in 2017. The Kossanto East licences were sold for cash consideration of £627,005 and the impairment in 2016 reduced the carrying value to the fair value of consideration.

The goodwill relates to the exploration cash generating unit having arisen on the acquisition of a company holding the exploration asset in prior years. Given the nature of the underlying business the cash generating unit and associated goodwill is tested for impairment indicators under IFRS 6. The impairment in 2016 refers to goodwill associated with Kossanto East.

8. Investments in Subsidiary Undertakings

	Company	
	2017	2016
	£	£
Shares in Group Undertakings		
At 1 January	**8,065,329**	8,871,224
Additions	**12,551,769**	-
Disposals	**-**	-
At 31 December	**20,617,098**	8,871,224
Advances to / (from) Group undertakings	**(277,525)**	913,825
Impairment of investments and advances	**(1,896,029)**	(1,719,720)
At 31 December	**18,443,544**	8,065,329

Advances to Group undertakings representing loans are discounted at a market rate of interest and recorded in trade and other receivables. The difference between the fair value and funds advanced is recorded as part of investments. Impairment in the year relates to investments and advances to Luiri Gold Mines Limited and Societe Miniere de Kerboulé SARL related to the Zambian and Bukina Faso projects detailed in note 7.

Details of Subsidiary Undertakings

Name of subsidiary	Registered Address	Country of incorporation and place of business	Parent company	Registered capital	Proportion of share capital held	Nature of business
Alecto Holdings International Limited	Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands	British Virgin Islands	Cradle Arc plc	Ordinary shares US$1	100%	Dormant
Alecto Guinea Holdings Limited	Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands	British Virgin Islands	Cradle Arc plc	Ordinary shares US$1	100%	Dormant
Alecto Mauritania Limited	Studio Pour Bureaux a L'Immeuble Mouna avenue palais de Congre	Mauritania	Alecto Holdings International Limited	Ordinary shares MOU 1,000,000	100%	Exploration
AME West Africa Limited	27-28 Eastcastle Street, London, United Kingdom W1W 8DH	United Kingdom	Cradle Arc plc	Ordinary shares £100	100%	Dormant

Name of subsidiary	Registered Address	Country of incorporation and place of business	Parent company	Registered capital	Proportion of share capital held	Nature of business
Caracal Gold Mali SARL	Porte 967 Rue 120, Badalabougou Est, Bamako, Mali	Mali	AME West Africa Limited	Ordinary shares XOF 1,526,649,300	100%	Exploration
NewMines Holdings Limited	Henville Buildings, Prince Charles Street, Charlestown, Nevis.	Nevis	Cradle Arc plc	Ordinary shares €923,373	100%	Dormant
Tobon Tondo SARL	No.2, Lot 7 1082 Rue 732 Baco-Djicoroni, Bamako, Mali.	Mali	NewMines Holdings Limited	Ordinary shares XOF 1,000,000	100%	Exploration
Gazelle Resources Inc	Palm Grove House, P.O Box 438, Road Town, Tortola, British Virgin Islands.	British Virgin Islands	Cradle Arc plc	Ordinary shares US$1	100%	Dormant
Societe Miniere de Kerboulé SARL	Zone du Bois, Rue Bizaana, Porte 479, 09 BP 1546, Ouagadougou, Burkina Faso.	Burkina Faso	Gazelle Resources Inc	Ordinary shares XOF 1,000,000	100%	Exploration
Luiri Limited	2nd Floor, Block B, Medine Mews, Chaussee Street, Port Louis, Mauritius.	Mauritius	Cradle Arc plc	Ordinary shares US$6,000	100%	Dormant
LG Holdings Limited	2nd Floor, Block B, Medine Mews, Chaussee Street, Port Louis, Mauritius	Mauritius	Luiri Limited	Ordinary shares US$500	100%	Dormant
ZIO Holdings Limited	2nd Floor, Block B, Medine Mews, Chaussee Street, Port Louis, Mauritius	Mauritius	Luiri Limited	Ordinary shares CAD$1	100%	Dormant
Luiri Gold Mines Limited	Plot 1266 Fulwe Close, Rhodes Park, Lusaka Zambia	Zambia	LG Holdings Limited / ZIO Holdings Limited	Ordinary shares ZMW 50,000	100%	Exploration
Cradle Arc Investments Pty Ltd	Plot 17149 Bogoma Road, Gaborone West Phase 1, Gabarone	Botswana	Cradle Arc plc	Ordinary shares of BWP 1	100%	Holding
Leboam Holdings Pty Ltd	Plot 17149 Bogoma Road, Gaborone West Phase 1, Gabarone	Botswana	Cradle Arc Investments Pty Ltd	Ordinary shares of BWP 1	60% indirect	Mining

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

9. Available-for-Sale Financial Assets

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
At 1 January	**32,500**	7,650	**32,500**	7,650
Revaluation	**-**	24,850	**-**	24,850
Disposal	**(32,500)**	-	**(32,500)**	
At 31 December	**-**	32,500	**-**	32,500
Less: non-current portion	**-**	(32,500)	**-**	(32,500)
Current portion	**-**	-	**-**	-

All available-for-sale financial assets are UK listed equity securities denominated in Pounds Sterling.

10. Trade and Other Receivables

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Prepayments	**26,853**	15,835	**26,853**	15,835
VAT receivable	**831,028**	344,203	**546,406**	335,640
Other receivables	**12,552**	64,954	**7,861**	60,283
Loans to subsidiaries	**-**	-	**4,638,059**	-
At 31 December	**870,433**	424,992	**5,219,179**	411,758
Less: non-current portion	**-**	-	**-**	-
Current portion	**870,433**	424,992	**5,219,179**	411,758

Trade and other receivables are all due within one year except as stated. The fair value of all receivables is the same as their carrying values stated above.

The carrying amounts of the Group and Company's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
UK Pounds	**581,120**	411,758	**5,219,179**	411,758
Central African Franc	**12,389**	11,904	**-**	-
Zambian Kwacha	**660**	1,330	**-**	-
Botswana Pula	**276,264**	-	**-**	-
Total:	**870,433**	424,992	**5,219,179**	411,758

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security. At 31 December 2017 all trade and other receivables were considered recoverable.

11. Cash and Cash Equivalents

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Cash at bank and in hand	**80,334**	277,132	**71,543**	202,086

All of the Company's cash at bank is held with institutions with an AA credit rating.

12. Inventories

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	£	£	**£**	£
Stockpile	**486,782**	-	**-**	-
Consumables	**1,268,745**	-	**-**	-
	1,755,527	-	**-**	-

13. Provisions

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	£	£	**£**	£
Acquired through acquisition of subsidiary	**5,819,739**	-	**-**	-
Foreign exchange	**343,907**	-	**-**	-
	6,163,646	-	**-**	-

The provision which arose upon acquisition relates to the Mowana mine rehabilitation (£5,096,290) and a provision for local community infrastructure (£723,449). The nature of the mine rehabilitation provision is related to mine closure cost at the end of the life of the mine currently estimated to be 14 to 16 years. The provision is to rehabilitate the mining environmental areas and demolition of infrastructure at the Mowana Copper Mine in Botswana. The cost of closure calculates the cost of demolishing, removing and rehabilitating all components of the mining area infrastructure and was assessed by an independent external expert. The provision is based on current disturbed areas at the mines i.e. unscheduled mine closure. The provision for local community infrastructure is part of the conditions of the mining licences and is payable when requested by the Government of Botswana.

14. Trade and Other Payables

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Trade payables	**4,702,485**	132,309	**516,972**	122,166
Payroll expenses	**217,508**	21,392	**12,750**	3,413
Other payables	**138,568**	-	**115,000**	-
Accrued expenses	**970,444**	276,089	**464,975**	187,100
Deferred consideration payable - current	**500,000**	-	**500,000**	-
Total - current	**6,529,005**	429,790	**1,609,697**	312,679
Deferred consideration payable – non-current	**500,000**	307,500	**500,000**	307,500
Total	**7,029,005**	737,290	**2,109,697**	320,179

The deferred consideration at 31 December 2017 relates to the Cradle Arc Investments Pty Ltd acquisition and is to be settled in £1,000,000 cash. Refer to Note 29.

The deferred consideration as at 31 December 2016 relates to the Luiri Gold Limited acquisition and was to be settled in cash no later than three years following completion, although the company and vendor each held the right to require settlement on demand through issuance of a variable number of shares. The deferred consideration was settled through the issue of shares in 2017 as detailed in Note 17.

The carrying amounts of the Group and Company's trade and other payables are denominated in the following currencies:

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
UK Pounds	**2,109,697**	620,179	**2,109,697**	620,179
Central African Franc	-	10,800	-	-
Zambian Kwacha	**129,176**	106,311	-	-
Botswana Pula	**4,790,132**	-	-	-
Total:	**7,029,005**	737,290	**2,109,697**	620,179

15. Borrowings

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Convertible loan note - current	**5,652,326**	181,775	**5,652,326**	181,775
Warrants to be issued - current	**291,657**	-	**291,657**	-
Finance lease liabilities - current	**3,049,718**	-	**-**	-
Other borrowings - current	**5,227,843**	-	**-**	-
Finance lease liabilities – non current	**2,188,977**	-	**-**	-
Other borrowings – non-current	**28,523,321**	-	**-**	-
Total	**44,933,842**	181,775	**5,943,983**	181,775
Current portion	**14,221,544**	-	**5,943,983**	-
Non-current portion	**30,712,298**	181,775	**-**	181,775

Other borrowings comprise the following:

- £15.6m ($21.0m) payable to ZCI Limited by Leboam Holdings (Pty) Limited, a subsidiary of the Group, as part of the acquisition of the Mowana Copper Mine. As at 31 December 2017 the loan bears interest at LIBOR. The loan is subordinated and is repayable out of free cash flow after deduction of outstanding liabilities and cash flow requirements. The loan is secured and has a maximum term of ten years.

- £7.4m ($10.0m) payable to the Liquidators of Messina Copper (Botswana) (Pty) Limited by Leboam Holdings (Pty) Limited, a subsidiary of the Group, as part of the acquisition of the Mowana Copper Mine. The term loan which represents consideration for the purchase of Mowana Copper mine is unsecured and bears interest at 13.5% and is repayable in instalments over 24 months.

  £7.4m ($10.0m) payable to ZCI Limited by Leboam Holdings (Pty) Limited, a subsidiary of the Group, as part of the acquisition of the Mowana Copper Mine. The term loan which represents consideration for the purchase of Mowana Copper mine is secured and bears interest at 13.5% and is repayable in instalments over 34 months.

- £3.0m ($4.1m) payable to Fujax Minerals and Energy Limited. The above loan bears interest at 13.5 per cent. per annum and as at 31 December 2017 was repayable in copper concentrate equal to the value of the loan granted and accumulated interest in equal amounts over the first 3 months during which 12,000 Mt of commodities is produced by the Mowana Mine, provided this occurs within 13 months of first draw down (February 2018) after which it is payable on demand. Refer to note 32 for post year end amendments. Fujax Minerals and Energy Limited is also the Group's offtake partner for Mowana Copper Mine. Under the terms of the agreement proceeds of copper concentrate are deducted against the amounts payable.

Convertible loan notes and warrants:

- On 23 November 2015, the Company issued 800,000 interest free convertible loan notes at a par value of US$1 per loan note as part of the consideration for the acquisition of Luiri Gold Mines Ltd. The loan notes were convertible by the Company or holder at the higher of 80% of the Company's mid-market closing share price and 0.08 pence at the time of exercise if the share price exceeds 0.08 pence or the market price if below 0.08 pence. On 8 April 2016 495,365 loan notes were converted into 433,501,250 shares in the Company for US$495,365. The loan note represented deferred consideration comprising the right for the holder to receive deferred cash payments equal to the par value or the right to receive a variable number of shares. The nature of the conversion rights is such that the fair value of the instrument ranges from par value to 125% of the par value. The value of the instrument was considered to be £181,775 at 31 December 2016 given analysis of the share price, volatility and expected remaining term. During 2017, the loan note was converted into shares as detailed in Note 17.

- On 17 January 2017, the Company raised £1,000,000 through the issue of unsecured convertible loan notes. The loan note had an initial maturity date of 30 June 2017 and a coupon equal to 20% of the loan amount settled in shares. The terms of conversion were such that, if converted, the holder would receive shares with a fair value equivalent to 133% of the loan note. The loan note was subsequently modified to extend its maturity to 31 December 2018. The instrument was designated as fair value through profit and loss and has a fair value of £1,333,333 with the fair value movement of £333,333 recognised in finance cost. Interest and fees were settled through share issues resulting in a finance cost of £200,000.

- On 7 June 2017, the Company raised £800,000 through the issue of unsecured convertible loan notes. The loan note had an initial maturity date of 30 June 2017 and a coupon equal to 20% of the loan amount settled in shares. The terms of conversion were such that, if converted, the holder would receive shares with a fair value equivalent to 133% of the loan note. The loan note was subsequently modified to extend its maturity to 31 December 2018. The instrument was designated as fair value through profit and loss and has a fair value of £1,066,667 with the fair value movement of £266,667 recognised in finance cost Interest and fees were settled through share issues resulting in a finance cost of £160,000.

- On 25 October 2017, the Company raised £3,252,325 through the issue of unsecured convertible loan notes. The loan notes have a maturity date of 31 December 2018 and carry a zero coupon. The loan note was automatically convertible on Re-Admission at the Admission price. The instrument was designated as fair value through profit and loss and has a fair value of £3,541,000 at 31 December 2017 inclusive of the warrants below.

  The holders were entitled to a fee at inception at the rate of 25% of the aggregate amount of the loan notes to be satisfied in shares. In addition the Company agreed to issue two warrants to purchase one Ordinary Share each for every three Ordinary Shares issuable upon conversion of the loan notes at an exercise price of a 30% premium to the variable conversion price exercisable from the date of conversion to the earlier of the second anniversary of the issue of the loan notes and the first anniversary of Re-admission. The fair value of the warrant instrument was determined to be £291,657.

The fee and warrant were considered to represent a transaction cost of the instrument. £905,000 has been capitalised as the funds were advanced to the Mowana Copper mine and used to fund assets under development.

Proceeds from borrowings comprised £5,052,325 in respect of the 3 convertible loan notes issued and £746,268 in respect of post-acquisition draw downs of Fujax Minerals and Energy by Cradle Arc Investments (Pty) Limited. Repayments totalled £74,122. Finance costs were non cash in nature. Refer to note 32 for details of post balance sheet conversions.

Finance Lease Liabilities

Finance leases relate to mining equipment.

	Group	
	As at 31 December 2017	As at 31 December 2016
	£	£
Finance lease liabilities – minimum lease payments		
- no later than one year	**3,049,718**	-
- later than one year and no later than five years	**2,235,251**	-
- later than five years	**-**	-
	5,284,969	
Future finance charges on finance lease liabilities	**(46,274)**	-
Present value of finance lease liabilities	**5,238,695**	-

The present value of finance lease liabilities is as follows:

	Group	
	As at 31 December 2017	As at 31 December 2016
	£	£
No later than one year	**3,049,718**	-
Later than one year and no later than five years	**2,188,977**	-
Later than five years	**-**	-
Present value of finance lease liabilities	**5,238,695**	-

16. Deferred tax

An analysis of deferred tax liabilities is set out below.

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Deferred tax liabilities				
- Deferred tax liability after more than 12 months	**4,256,943**	4,341,617	**-**	-
Deferred tax liabilities	**4,256,943**	4,341,617	**-**	-

The movement in the deferred tax account is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
At 1 January	**4,341,617**	3,564,063	**-**	**-**
Acquisition of subsidiary	**3,329,161**	-	**-**	**-**
Foreign exchange	**(370,785)**	777,554	**-**	**-**
Utilisation of tax losses in Botswana post acquisition	**549,248**			
Released on impairment of Zambian assets	**(3,592,298)**	-	**-**	**-**
As at 31 December	**4,256,943**	4,341,617	**-**	**-**

The deferred tax liability arises as a result of fair value adjustments on the Luiri Gold and Cradle Arc Investments business combination. £3,592,298 has been released associated with the impairment of Liuri Gold mines in 2017. The deferred tax liability resulting from the fair value adjustments on Cradle Arc Investments pty Ltd comprise £3,329,161 in respect of fair value uplifts on mineral properties reduced deferred tax assets for trading purposes.

The Group has additional capital losses of approximately £440,000 (2016: £440,000) and other losses of approximately £8,139,973 (2016: £5,283,629) available to carry forward against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses because of uncertainty over the timing of future taxable profits against which the losses may be offset.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

17. Share Capital and Share Premium

Group and Company

	Number of shares	Share capital £	Share premium £	Other reserve (note 2.15) £	Total £
Issued and fully paid					
As at 1 January 2016	**3,156,313,600**	**4,412,421**	**13,446,703**	**-**	**17,859,124**
Conversion of loan to shares – 8 April 2016	433,501,250	43,350	303,451	-	346,801
Exercise of warrants – 13 April 2016	38,750,000	3,875	27,125	-	31,000
Issue of new shares – 16 May 2016	831,250,000	83,125	509,516	-	592,641
Issue of new shares – 6 June 2016	12,500,000	1,250	8,750	-	10,000
Issue of new shares – 30 September 2016	800,000,000	80,000	456,523	-	536,523
As at 31 December 2016	**5,272,314,850**	**4,624,021**	**14,752,068**	**-**	**19,376,089**
Issue of new shares – 17 January 2017	376,933,696	**37,693**	**212,307**	**-**	**250,000**
Share consolidation – 31 July 2017	(5,630,417,717)	**-**	**-**	**-**	**-**
Issue of new shares – 23 August 2017	1,389,936	**139**	**276,111**	**-**	**276,250**
Conversion of loan to shares – 23 August 2017	1,188,181	**118**	**236,032**	**-**	**236,150**
Issue of new shares – 23 August 2017	854,166	**86**	**-**	**307,414**	**307,500**
Issue of new shares – 23 August 2017	510,080	**51**	**107,066**	**-**	**107,117**
Issue of new shares – 20 October 2017	176,101	**18**	**34,982**	**-**	**35,000**
Issue of new shares – 9 November 2017	4,062,500	**406**	**812,094**	**-**	**812,500**
Acquisition of subsidiary – 13 November 2017	40,517,689	**4,052**	**-**	**4,047,717**	**4,051,769**
Issue of new shares – 30 November 2017	1,150,000	**115**	**114,885**	**-**	**115,000**
As at 31 December 2017	**68,679,482**	**4,666,699**	**16,545,545**	**4,355,131**	**25,567,375**

On 17 January 2017 the Company issued 376,933,696 new Ordinary Shares at a price of 0.06625 pence per share as consideration for financing fees and interest.

On 31 July 2017 the Company consolidated its share capital on the basis of 300 shares being consolidated to 1 share.

On 23 August 2017 the Company issued 1,389,936 new Ordinary Shares at a price of 19.87 pence per share as consideration for financing fees and interest.

On 23 August 2017 a loan note was converted into 1,188,181 new Ordinary Shares in the Company at a price of 19.87 pence per share.

On 23 August 2017 the Company issued 854,166 new Ordinary Shares in settlement of the Matala deferred consideration.

On 23 August 2017 the Company issued 510,080 new Ordinary Shares at a price of 20.99 pence per share as consideration for directors salaries in lieu of cash payments.

On 20 October 2017 the Company issued 176,101 new Ordinary Shares at a price of 19.87 pence per share as consideration for financing fees.

On 9 November 2017 the Company issued 4,062,500 new Ordinary Shares at a price of 19.99 pence per share as consideration for financing fees.

On 13 November 2017 the Company issued 40,517,689 new Ordinary Shares as consideration for the acquisition of Cradle Arc Investments Pty Ltd. Refer to Note 29 for details.

On 30 November 2017 the Company issued 1,150,000 new Ordinary Shares at a price of 10 pence per share as consideration in lieu of fees related to consulting costs.

18. Share Based Payments

Share options and warrants outstanding and exercisable at the end of the year have the following expiry dates and exercise prices:

			Shares	
Vesting date	Expiry date	Exercise price in £ per share	**2017**	2016 (1)
23 January 2014	23 January 2017	4.740	**-**	23,333
23 January 2014	22 January 2017	4.500	**-**	16,667
24 February 2014	23 February 2019	5.775	**25,767**	25,767
27 November 2015	27 November 2020	0.240	**20,833**	20,833
9 February 2016	9 September 2021 (2)	0.240	**42,968**	296,359
9 February 2017	9 September 2022 (3)	0.240	**13,150**	131,513
9 February 2019	9 September 2024 (4)	0.240	**13,150**	131,513
1 June 2016	1 June 2021	0.24	**138,541**	138,541
14 October 2016	14 October 2021	0.225	**133,333**	133,333
13 November 2018	12 November 2027	0.10	**13,252,948**	-
			13,640,690	917,859

(1) Share options were consolidated during the year on the basis of 300:1.
(2) 253,389 share options were cancelled during the period. The accelerated charge was immaterial.
(3) 118,361 share options were cancelled during the period. The accelerated charge was immaterial.
(4) 118,361 share options were cancelled during the period. The accelerated charge was immaterial.

The Company and Group have no legal or constructive obligation to settle or repurchase the options in cash.

The fair value of the share options and warrants was determined using the Black Scholes valuation model. The parameters used are detailed below:

	2017 Options	2016 Warrants	2016 Warrants	2016 Options	2016 Options	2016 Options	2015 Warrants	2014 Warrants
Granted on:	13/11/2017	29/9/2016	15/6/2016	9/2/2016	9/2/2016	9/2/2016	23/11/2015	24/02/2014
Life (years)	10 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Share price (pence per share)	0.10p	0.225p	0.225p	0.24p	0.24p	0.24p	0.24p	4.7p
Risk free rate	1.48	0.58%	0.58%	0.58%	0.58%	0.58%	2.25%	2.25%
Expected volatility	65%	14.87%	23.66%	25.53%	25.53%	25.53%	17%	24%
Expected dividend yield	-	-	-	-	-	-	-	-
Marketability discount	20%	20%	20%	20%	20%	20%	20%	20%
Total fair value (£000)	830	3	6	6	6	13	6	14

The expected volatility is based on assessment of historical volatility until 2017. Given the Group was unlisted at the time awards were made in 2017 volatility has been based on market comparables. The risk free rate of return is based on zero yield government bonds for a term consistent with the option life.

A reconciliation of options and warrants granted is shown below:

	2017		2016	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding as at 1 January	917,859	0.57	283,431	3.93
Expired	(530,114)	0.57	(67,666)	3.93
Exercised	-	-	(129,166)	0.24
Granted	13,252,945	0.10	831,260	0.24
Outstanding as at 31 December	13,640,690	0.11	917,859	0.57
Not yet vested	(13,266,096)	0.11	-	-
Exercisable at 31 December	374,594	0.11	917,859	0.57

	2017				2016			
Range of exercise prices (£)	Weighted average exercise price (£)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)	Weighted average exercise price (£)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
0 – 0.5	0.10	13,614,923	9.70	9.70	0.45	892,094	4.66	4.66
0.5 – 1	-	-	-	-	-	-	-	-
1 – 10	5.7	25,767	1.15	1.15	5.7	25,768	2.15	2.15

19. Expenses by Nature

Group – Continuing operations	2017 £	2016 £
Directors' remuneration (Note 20)	345,405	113,753
Employee salaries (Note 21)	468,814	45,391
Audit & accountancy	282,886	52,035
Consultancy and professional fees	974,854	212,500
Other establishment expenses	21,396	14,835
AIM related fees	217,595	171,514
Depreciation	40,801	66,260
Travel & subsistence	111,037	48,262
Share option expenses	36,397	25,352
Other expenses	205,893	72,448
Total administrative expenses	2,705,078	822,350

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

	Group	
	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Parent Company and Consolidated Financial Statements	76,500	35,000
Fees payable to the Company's auditor and its associates for non-audit services as Reporting Accountants	159,087	-

20. Directors' Remuneration

	Total emoluments		Options Issued	
	2017	2016	**2017**	2016
	£	£	**Number**	Number
Executive Directors				
Mark Jones [(6)]	**147,479**	41,274	**6,626,474**	289,328
Dominic Doherty [(1)]	**103,045**	96,500	**5,301,179**	184,118
Kevin Van Wouw [(2)]	**33,455**	-	**-**	
Non-executive Directors				
Gerald Chapman [(3)]	**20,124**	36,099	**-**	-
Toby Howell	**40,080**	34,196	**1,325,295**	16,666
Roger Williams [(4)]	**21,323**	-	**-**	-
Tom Swithenbank [(5)]	**1,108**	-	**-**	-
	366,614	208,069	**13,252,948**	490,112

(1) Dominic Doherty resigned 13 November 2017
(2) Kevin Van Wouw appointed 26 September 2017
(3) Gerald Chapman resigned 11 July 2017
(4) Roger Williams appointed 9 June 2017
(5) Tom Swithenbank appointed 14 December 2017, resigned 15 January 2018.
(6) Includes £95,400 to J Cubed Ventures, a company which Mark Jones is a director.

All options issued to Directors in 2016 were subsequently cancelled in 2017. The Directors of the Company are considered to be key management personnel.

A 1% pension benefit is provided to Toby Howell and Mark Jones. Share based payments related to key management personnel totalled nil (2016: £10,000). Social security contributions totalled £14,672 (2016: £6,712).

Of the above Directors’ remuneration costs, £21,209 (2016: £106,430) has been capitalised in accordance with IFRS 6 as exploration related costs and are shown as an intangible addition in the year.

There was no Directors’ Remuneration relating to termination benefits.

Key management personnel are considered to be the Directors and remuneration equals the emoluments total above.

21. Employees

	Group	
	2017	2016
Staff costs (excluding Directors)	**£**	£
Salaries and wages	**447,520**	170,427
Social security costs	**21,294**	12,113
	468,814	182,540

The average monthly number of employees during the year was 119 (2016: 26).

Of the above staff costs, £8,115 (2016: £125,037) has been capitalised in accordance with IFRS 6 as exploration related costs and are shown as an intangible addition in the year. £Nil (2016: £Nil) has been capitalised in accordance with IAS 16 as mining properties, plant and equipment during the commissioning phase of the Mowana Copper Mine post acquisition.

22. Other Net Gains/(Losses)

	Group	
	2017	2016
	£	£
Gain on disposal of property, plant and equipment	**-**	40,301
Other gains/(losses)	**50,417**	1,962
	50,417	42,263

23. Finance Income and costs

	Group	
	2017	2016
	£	£
Interest received from Bank	**343**	500
Finance income	**343**	500

	Group	
	2017	2016
	£	£
Transaction cost fees on convertible loan notes held at fair value	**1,546,250**	-
Fair value movement on convertible loan notes and warrants	**891,657**	-
Interest cost	**28,469**	
Capitalised finance costs	**(905,000)**	-
Finance costs	**1,561,376**	-

Refer to note 15 and 17 for details of the finance costs.

24. Income Tax

No income tax charge to the Income Statement arises due to the losses incurred. No deferred tax asset has been recognised on accumulated tax losses, as the recoverability of any assets is not likely in the foreseeable future.

	Group	
Income tax expense	**2017**	2016
	£	£
Deferred tax	**3,046,774**	-

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities as follows:

	Group	
	2017	2016
	£	£
(Loss)/profit before tax	**(13,840,603)**	(4,342,851)
Tax at the applicable rate of 25.80% (2016: 24.12%)	**(3,570,185)**	(1,047,495)
Effects of:		
Expenditure not deductible for tax	**(38,652)**	1,225,226
Variation in Local tax rates	**503,535**	-
Non-taxable income	**(13,133)**	(281,796)
Net tax effect of losses carried forward	**71,662**	147,389
Utilisation of previously unrecognised tax losses	**-**	(43,323)
Tax charge	**(3,046,774)**	-

The tax charge relating to components of other comprehensive income is as follows:

	2017			2016		
	Before tax £	**Tax charge £**	**After tax £**	Before tax £	Tax charge £	After tax £
Available-for-sale financial assets	**17,500**	**-**	**17,500**	32,500	-	32,500
Other comprehensive income	**17,500**	**-**	**17,500**	32,500	-	32,500
Current tax	**-**	**-**	**-**	-	-	-
Deferred tax	**-**	**-**	**-**	-	-	-

25. Earnings per Share

The calculation of basic loss per share of 0.43 pence loss (2016: 0.18 pence earnings per share) is calculated by dividing the loss attributable to shareholders of £11,363,629 (2016: loss of £4,342,851) by the weighted average number of Ordinary Shares of 26,222,337 (2016: 8,031,725) in issue during the period. The diluted loss per share of 0.43 pence is the same as the basic loss per share as the effect of additional potential shares is antidilutive.

Details of share options that could potentially dilute earnings per share in future periods are set out in Note 18. Details of shares to be issued set out in note 29. Details of conversion rights under convertible loan notes set out in note 15.

The Company is committed to the issuance of ordinary shares to a consultant should certain conditions be met in future periods. The issuance of these Ordinary Shares could potentially dilute earnings per share. Further details of this arrangement are set out in Note 28.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

26. Financial Instruments by Category

Group - 31 December 2016 Assets per Statement of Financial Position	Loans and receivables	Available-for-sale	Total
Available-for-sale financial assets	-	32,500	32,500
Trade and other receivables (excluding prepayments)	409,155	-	409,155
Cash and cash equivalents	277,132	-	277,132
Total	686,287	32,500	718,787

Group - 31 December 2016 Liabilities per Statement of Financial Position	At fair Value profit and loss	At amortised cost	Total
Trade and other payables (excluding non-financial liabilities)	-	429,790	**429,790**
Borrowings	-	181,775	181,775
Deferred consideration	307,500	-	307,500
Total	**307,500**	611,565	**919,065**

Group - 31 December 2017 Assets per Statement of Financial Position	Loans and receivables	Available-for-sale	Total
Available-for-sale financial assets	-	-	-
Trade and other receivables (excluding prepayments)	843,580	-	843,580
Cash and cash equivalents	80,334	-	80,334
Total	923,914	-	923,914

Group - 31 December 2017 Liabilities per Statement of Financial Position	At fair value profit and loss	At amortised cost	Total
Trade and other payables (excluding non-financial liabilities)	-	6,029,005	6,029,005
Borrowings	5,943,983	38,989,859	44,933,842
Deferred consideration	-	1,000,000	1,000,000
Total	5,943,983	46,018,864	51,962,847

Company - 31 December 2016 Assets per Statement of Financial Position	Loans and receivables	Available-for-sale	Total
Available-for-sale financial assets	-	32,500	32,500
Trade and other receivables (excluding prepayments)	395,922	-	395,922
Cash and cash equivalents	202,086	-	202,086
Total	598,008	32,500	630,508

Company - 31 December 2016 Liabilities per Statement of Financial Position	At fair Value	At amortised cost	Total
Trade and other payables (excluding non-financial liabilities)	-	312,678	**312,678**
Borrowings	-	181,775	**181,775**
Deferred consideration	307,500	-	**307,500**
Total	**307,500**	494,453	**801,953**

Company - 31 December 2017 **Assets per Statement of Financial Position**	**Loans and receivables**	**Available-for-sale**	**Total**
Available-for-sale financial assets	-	-	-
Trade and other receivables (excluding prepayments)	5,192,326	-	5,192,326
Cash and cash equivalents	71,543	-	71,543
Total	5,263,869	-	5,263,869

Company - 31 December 2017 **Liabilities per Statement of Financial Position**	**At fair value**	**At amortised cost**	**Total**
Trade and other payables (excluding non-financial liabilities)	-	1,109,697	1,109,697
Borrowings	5,943,983	-	5,943,983
Deferred consideration	-	1,000,000	1,000,000
Total	5,943,983	2,109,697	8,053,680

Available for sale investments are measured at level 1 fair value: quoted prices in active markets for identical items (unadjusted).

Fair value determinations

Refer to note 14 and 15 for details of the fair value of the liabilities held at fair value through profit and loss. The contractual amounts payable are equal to the loan note principal unless converted.

The fair value at year end of the January 2017 and June 2017 loan notes reflects the terms of conversion and probability of conversion, whereby the holder can convert at a 25% discount to market price, such that the fair value of the instrument ranges between the loan principal and 133% of the loan principal.

The fair value at year end of the October 2017 loan note comprised the fair value of the conversion right and warrants. The fair value of the conversion right optionality is equal to the loan principal as conversion is based on market price and the short maturity. The fair value of the warrant instrument has been determined using a Black-Scholes valuation as detailed in Note 16.

27. Contingencies

Electrum Limited

The Group entered into a contractual arrangement with Electrum Limited (‘Electrum’) historically relation to the acquisition of Caracal Gold Mali SARL. Upon the Group establishing a proven and probable JORC compliant reserve greater than 500,000 ounces of gold in respect of the acquired gold exploration licences in south-west Mali, which includes Kossanto East and Kossanto West, the Group is obligated to pay Electrum £1.25 million to be satisfied by the allotment of new Ordinary Shares in the Company. The condition is yet to be satisfied and is not considered probable at this time.

Swala Resources Inc

The Group has entered into a contractual arrangement with Swala Resources Inc (‘Swala’) historically in relation to the acquisition of Gazelle Resources Inc., which includes Kerboulé. Upon the Group establishing any of the following:

a) 250,000 ounce gold JORC proven reserve or equivalent resource estimate at a minimum cut-off of 0.5 grams per tonne of gold;
b) 1 million ounce gold JORC inferred resource or equivalent resource estimate at a minimum cut-off of 0.5 grams per tonne of gold; or
c) commercial production of 75,000 ounces of gold.

The Group will be obligated to pay Swala US$1.5 million to be satisfied, solely at the discretion of the Company, either in cash or by the allotment of new ordinary shares in the Company. The conditions are yet to be satisfied.

VAT Registration

The Company is in discussions with HM Revenue & Customs ('HMRC') in connection with the status of its VAT registration. HMRC is investigating whether the Company was entitled to have reclaimed input VAT and in March 2014 issued a notice of assessment to the Company. At 31 December 2017, VAT receivable amounted to £546,406 (2016: £344,203). The Directors' are confident having taken professional advice that they will be able to satisfactorily respond to all matters raised by HMRC on the basis that they believe the registration in place to be fully justified. In the opinion of the Directors, the outcome of the discussions is unlikely to result in the Company having to refund any VAT previously reclaimed, although the investigation remains ongoing.

Mowana Copper contractor dispute

Leboam Holdings (Pty) Limited is subject to a legal claim from its former mining contractor in Botswana with arbitration due to commence shortly. In the event the Group is unsuccessful additional liabilities of approximately £400,000 would arise. In addition, Leboam Holdings (Pty) Limited has filed a claim against Giant Transport related to contract performance.

28. Commitments

(a) Licence agreements

On 23 November 2010, the Group acquired three gold exploration licences and, on 13 December 2010, two uranium exploration licences in Mauritania. These licences were for a period of three years from the date of grant and included commitments to pay annual land royalty fees in the second and third year and adhere to minimum spend requirements. The two uranium exploration licences were not renewed during the prior year and one gold exploration licence was not renewed in 2014, hence these licences have been fully impaired. On 11 August 2014 the remaining two gold exploration licences were renewed for a further three year period. At the end of the licence period, the Group has the right to renew the licence or, if a defined resource has been established, apply for a mining licence for the target area. Upon grant of any mining licence the Mauritanian Government will receive a 10% shareholding of the rights and benefits of the licence area. The Mauritanian Government also has the option to purchase an additional 10% of the rights and benefits at the market rate upon granting of the mining licence. No mining licence has been granted and the Group does not intend to renew its licences

On 4 October 2013, the Group acquired AME West Africa Limited which, via its wholly owned subsidiary, Caracal Gold Mali SARL, owns gold and related minerals exploration licences in Mali. With the exception of one licence area which is in the process of being renewed, these licences have been recently renewed and include commitments to pay annual land royalty fees.

On 28 March 2014, the Group acquired NewMines Holdings Limited which, via its wholly owned subsidiary, Tobon Tondo SARL, owns a gold and related mineral exploration licence in Mali. This licence includes commitments to pay annual land royalty fees.

On 27 November 2014, the Group acquired Gazelle Resources Inc which, via its wholly owned subsidiary, Societe Miniere de Kerboulé SARL, owns gold and related mineral exploration licences in Burkina Faso. These licences include commitments to pay annual land royalty fees.

On 23 November 2015, the Group acquired Luiri Limited which, via its wholly owned subsidiary, Luiri Gold Mines Limited, owns gold mining licences in Zambia. These licences include commitments to pay annual land royalty fees.

During the 2017 and 2018 the Group entered into Joint Venture agreements for the licenses held by Tobon Tondo, Societe Miniere de Kerboule SARL, Luiri Gold Mines Limited and Caracal Gold Mali SARL. As part of these agreements the Joint Venture partners are responsible for all minimum spend requirements and fees. Therefore there are no commitments for the assets held by these companies as at 31 December 2017.

During 2017 the Group acquired Cradle Arc Investments Pty Ltd which via its 60% holding in its subsidiary, Leboam Holdings Pty Ltd, holds licenses for the a copper mine in Botswana. As part of the license there is commitments for license fees and 3% of gross revenue is to be payable as a royalty each year.

At 31 December 2017 the future aggregate minimum royalty fee payments and minimum spend requirements are as follows:

Group	**2017** Land royalty fees £	Minimum spend requirement £	Total £	2016 Land royalty fees £	Minimum spend requirement £	Total £
Not later than one year	**4,700**	**-**	**4,700**	48,555	-	48,555
Later than one year and no later than five years	**-**	**-**	**-**	69,631	-	69,631
Total	**4,700**	**-**	**4,700**	118,186	-	118,186

(b) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

Group	**2017 £**	2016 £
Intangible assets	**-**	260,000

The Group entered into a contractual arrangement with O'Connor International Limited ('OCI') for consultancy work in the normal course of trade in respect of the Mauritanian licence areas acquired during the prior years. An amount of £130,000 for each gold licence, £260,000 in aggregate, remains committed under this contract. The payment of this fee is contingent on the issuance of a feasibility study by the Company indicating the economic feasibility for the relevant licence area. These amounts are to be satisfied via the issuance of new Ordinary Shares in the Company to the value of the fee and will become payable on the date the relevant conditions are met unless the agreement is terminated prior to the conditions being met.

(d) Royalty agreements

As part of the contractual arrangement with OCI noted above, the Group has agreed to pay OCI a royalty on revenue for each gold licence acquired based on the total ounces of gold sold equal to US$1 for every US$250 of the sale price per ounce. These royalties will become payable when the licence areas move into production and resources are sold from any of these areas.

As part of the acquisition of Caracal Gold Mali SARL ('Caracal'), the Group has assumed contractual commitments to provide a 1% net revenue royalty on the first 300,000 ounces of gold generated from its gold exploration licences in Mali held by Caracal.

As part of the acquisition of Gazelle Resources Inc in 2014 the Group has assumed contractual commitments to provide a 3% net smelter return ('NSR') royalty on its gold exploration licences in Burkina Faso. Half of the NSR, which equates to 1.5% may be bought back at any time at the discretion of the Group in increments of 0.5% for the sum of US$500,000 per increment.

29. Business Combinations

Cradle Arc Investments Pty Ltd

On 13 November 2017 the Group acquired 100% of the share capital of Cradle Arc Investments Pty Ltd ('Cradle') for consideration fair valued at £12,551,769. Cradle is registered in Botswana and via its 60% owned subsidiary Leboam Holdings Pty Ltd, holds the Mowana copper mine located in north-eastern Botswana. Consideration for the acquisition comprised £1,000,000 of cash with 50% payable on Admission in 2018 and 50% within 24 months and 40,517,689 Consideration Shares providing the vendors with 60% of Ordinary Shares of Cradle Arc plc. Additionally, under the terms of the acquisition agreement, the vendors were entitled to receive Additional Consideration Shares upon the Company's Admission to AIM in January 2018 and associated dilutive share placing, conversion of certain debt instruments and other shares issued. The purpose of the Additional Consideration Shares was to maintain the vendors' percentage ownership of the Company given the integral nature of the acquisition to the Re-Admission process at the time. The fair value of the cash consideration, the Consideration Shares (issued in November 2017) and rights to Additional Consideration Shares was £12,551,769 (refer Note 4) and has been allocated based on the number of shares issued at acquisition and estimated to be issued upon Admission.

Under IFRS, as at acquisition the Additional Share Consideration represented rights to a variable number of shares it has been recorded as a liability at fair value based on the estimated fair value per share, number of shares to be issued and probability of the dilutive events with reference to the status and form of the proposed placing and Admission at that time.

The following table summarises the consideration paid for Cradle and the values of the assets acquired and liabilities assumed at the acquisition date.

Consideration at 13 November 2017	£
Consideration Shares (40,517,689 ordinary shares at 0.1 pence per share)	4,051,768
Additional Consideration Shares (75,000,000 estimated number of ordinary shares at 0.1 pence per share)	7,500,000
Deferred cash consideration	1,000,000
Total consideration	**12,551,769**

Recognised amounts of identifiable assets acquired and liabilities assumed	NBV £	Fair value adjustment £	Fair value £
Cash and cash equivalents	705,703	-	705,703
Trade and other receivables	135,156	-	135,156
Inventory	1,661,278	-	1,661,278
Property, plant & equipment	45,339,946	-	45,339,946
Mineral properties (included within Intangible Assets) (Note 7)	10,114,630	18,238,529	28,353,159
Borrowings	(33,701,756)	-	(33,701,756)
Finance lease liabilities	(4,566,260)	-	(4,566,260)
Provisions	(5,819,739)	-	(5,819,739)
Trade and other payables	(3,684,071)	-	(3,684,071)
Repayable loan funding advanced by Cradle Arc Plc prior to acquisition	(4,174,640)	-	(4,174,640)
Deferred tax	683,315	(4,012,476)	(3,329,161)
Total identifiable net assets – fair value			**20,919,615**
Less non-controlling interest			**(8,367,846)**
Total consideration – fair value			**12,551,769**

The principal fair value adjustment related to the fair value of the mineral properties of £18,238,529. The mineral property fair value reflects the consideration attributable to future extraction of the mine's copper reserves and resources.

A deferred tax liability fair value adjustment of £4,012,476 was recognised on acquisition on the estimated tax effect of the temporary difference between the fair value of the mineral property asset and its tax base.

The deferred tax liability was estimated at a rate of 22% of the temporary difference, representing the local Botswana tax rates that are expected to apply to the period when the temporary differences reverse. The deferred tax liability recognised has not been discounted.

Since acquisition Cradle Arc has made a profit of £1,424,488 principally due to favourable foreign exchange movements. Had Cradle Arc been consolidated from 1 January 2017, the loss shown in the Consolidated Income Statement attributable to Cradle would have been £1,139,591.

30. Non-controlling interest

On 13 November the Group acquired 100% of the share capital of Cradle Arc Investments Pty Ltd which in turn hold a 60% shareholding in Leboam Holdings (Pty) Limited. The 40% non-controlling interest is held by the former major creditor of the Mowana Copper mine, acquired out of liquidation by Leboam.

The carrying value of the non-controlling interest is determined as follows:

	£
Non-controlling interest at acquisition	**8,367,846**
Profit for the period	**569,795**
Total non-controlling interest	**8,937,641**

The profit post acquisition principally related to exchange gains.

31. Related Party Transactions

Loans to Group undertakings

Amounts receivable as a result of loans granted to subsidiary undertakings are as follows:

	2017 **£**	2016 £
Alecto Holdings International Limited	**-**	2,951
Alecto Mauritania Limited	**-**	-
Caracal Gold Mali SARL	**1,246,670**	1,793,594
NewMines Holdings Limited	**2,285**	1,712
Tobon Tondo SARL	**39,764**	27,558
Gazelle Resources Limited	**-**	1,028
Societe Miniere de Kerboulé SARL	**-**	199,353
Luiri Limited	**681,474**	641,399
LG Holdings	**7,485**	4,024
ZIO Holdings	**6,577**	2,895
Luiri Gold Mines Limited	**363,200**	222,234
Cradle Arc Investments Pty Ltd	**-**	-
Leboam Holdings Pty Ltd	**4,638,516**	60,048
	6,985,971	2,956,796

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

Transactions with subsidiary undertakings and provisions against loans during the year comprised the following:

	Impairments £	Cash received on behalf of subsidiary £	Cash advances £	Beneficial payments £	Consulting services £	Total £
Alecto Holdings International Limited	(2,951)	-	-	-	-	**(2,951)**
Alecto Mauritania Limited	-	-	-	-	-	**-**
Caracal Gold Mali SARL	-	(627,005)	47,781	500	12,206	**(566,518)**
NewMines Holdings Limited	-	-	-	573	-	**573**
Tobon Tondo SARL	-	-	-	-	12,206	**12,206**
Gazelle Resources Limited	(2,122)	-	-	1,094	-	**(1,028)**
Societe Miniere de Kerboulé SARL	(269,646)	-	58,087	-	12,206	**(199,353)**
Luiri Limited	-	-	-	12,890	27,185	**40,075**
LG Holdings	-	-	-	3,461	-	**3,461**
ZIO Holdings	-	-	-	3,682	-	**3,682**
Luiri Gold Mines Limited	-	-	140,966	-	-	**140,966**
Cradle Arc Investments Pty Ltd	-	-	-	-	-	**-**
Leboam Holdings Pty Ltd	-	-	4,174,640	51,701	375,873	**4,602,214 466**
Total	**(274,719)**	**(627,005)**	**4,421,474**	**73,901**	**439,674**	**4,033,327**

These amounts are interest free and repayable in Sterling when sufficient cash resources are available in the subsidiaries. Refer to note 8 for investments in subsidiaries and the remaining impairments.

All intra Group transactions are eliminated on consolidation.

Other transactions

J Cubed Ventures Limited, a company of which Mark Jones is a director and beneficial owner, was paid a fee of £95,400 (2016: £111,900) for consulting services provided to the Company. No balance was outstanding at the year-end (2016: 26,076).

The Group incurred £7 020 of fees in respect of an environmental cost assessment by Digby Wells Associates which formed the basis for the environmental rehabilitation provision. Mr Roger Williams is a non-executive director of both the Company and Digby Wells Associates. Mr R Williams did not have any involvement in the work performed by Digby Wells Associates.

As part of the acquisition of Cradle Arc Investments Pty Ltd, Consideration shares were received by C3W Limited ("C3W") which is a company incorporated in Mauritius owned and controlled by Gerald Chapman, a director of Cradle during the year. Gerald Chapman received 854,166 new Ordinary Shares in lieu of the Deferred Matala Consideration. Consideration shares were also received by PenMin Botswana (Pty) Ltd, which is owned and controlled by Kevin Van Wouw, a director of Cradle during the year. Kevin Van Wouw received 40,517,689 ordinary shares at 0.1 pence per shares. Post-acquisition management fees of £115,403 were paid to PenMin Botswana (Pty) Limited, and the balance outstanding at year-end was £485,985.

32. Ultimate Controlling Party

There is no ultimate controlling party. Penmin Botswana (Pty) Limited held 40,517,689 shares and are considered to be a connected party but are subject to a Relationship Agreement which limits them to appoint one director and prohibits changes to the board otherwise.

33. Events after the Reporting Date

On 24 January 2018, the Company completed its Admission to AIM. As part of the Admission process, the Company raised £2,400,000 via the issue and allotment of 24,000,000 new ordinary share of £0.0001 each fully paid at a price of 10 pence per share. The Company also issued 75,000,000 new ordinary share of £0.0001 at a price of 10 pence per share as Additional Share consideration for the acquisition of Cradle Arc Investments (Pty) Ltd. In addition, the Company issued 1,150,000 new ordinary share of £0.0001 at a price of 10 pence per share in lieu of fees for consultants.

On 24 January 2018, the Company issued 22,146,667 warrants exercisable at a price of 13 pence per share and expiring in January 2019.

On 24 January 2018, the Company received a notice from a note holder to convert £3,250,000 of the convertible loan note dated October 2017 to 32,500,000 ordinary shares of £0.0001 each fully paid at a price of 10 pence per share.

On 26 January 2018, the Company received a notice from a note holder to convert £300,000 of the convertible loan note dated 2 June 2017 to 3,260,869 ordinary shares of £0.0001 each fully paid at a price of 9.20 pence per share.

On 6 February 2018, the Company received a notice from a note holder to convert £100,000 of the convertible loan note dated 2 June 2017 to 1,275,510 ordinary shares of £0.0001 each fully paid at a price of 7.84 pence per share.

On 15 February 2018, the Company received a notice from a note holder to convert £75,000 of the convertible loan note dated 16 January 2017 to 1,403,509 ordinary shares of £0.0001 each fully paid at a price of 5.34375 pence per share.

On 1 March 2018, the Company received a notice from a note holder to convert £50,000 of the convertible loan note dated 16 January 2017 to 1,088,436 ordinary shares of £0.0001 each fully paid at a price of 4.59375 pence per share.

On 3 April 2018 the Company secured $10,000,000 USD of Debt Funding, redeemable 12 months from the date of the loan note instrument and with an interest rate of 18% per annum. In conjunction with the Debt Funding the Company issued 71,336,852 warrants to subscribe for new ordinary shares of the Company, exercisable at a price of 5 pence per share expiring in March 2019.

On 16 April 2018 the Company entered into an option agreement with Singa Holdings Zambia Private Limited to establish a joint venture and/or an option to acquire the entire issued share capital of Luiri Gold Mines Limited for the total cash consideration of $2,500,000 USD.

On 25 April 2018 the Company appointed Oscar Ernst Kirkovits to the Board of the Company as a Non-Executive Director.

On 9 May 2018 the Company received notice from Randgold Resources (Mali) Sarl (“Randgold”) to terminate the joint venture agreement entered into between the Company and Randgold in February 2016 with regards the development of exploration licenses for the Kossanto West Gold Project.