

**Registered number: 07353748**

**KERAS RESOURCES PLC  
ANNUAL REPORT 2020**

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Throughout this document ‘Keras’, ‘Keras Resources’ or ‘the Company’ means Keras Resources PLC and ‘the Group’ means the Company and its subsidiaries.	

# Company information

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<b>Directors:</b>	B Moritz ( <i>Non-executive chairman</i> ) R Lamming ( <i>Chief executive officer</i> ) D Reeves ( <i>Non-executive director</i> )
<b>Company secretary:</b>	Cargil Management Services Limited
<b>Company number:</b>	07353748
<b>Registered office:</b>	27/28 Eastcastle Street London W1W 8DH
<b>Nominated advisor and joint broker:</b>	SP Angel Corporate Finance LLP 35-39 Maddox Street London W1S 2PP
<b>Joint broker:</b>	Shard Capital Partners LLP 23rd Floor 20 Fenchurch Street London EC3M 3BY
<b>Solicitor:</b>	Memery Crystal LLP 165 Fleet Street London EC2A 2DY
<b>Auditor:</b>	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD
<b>Registrars:</b>	Share Registrars Limited The Courtyard, 17 West Street Farnham, Surrey, GU9 7DR

# Chairman's Statement

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The highlights of the period since my last report are the acquisition of a controlling interest in a new project, the Diamond Creek phosphate mine in Utah, USA, which is expected to begin generating cash for Keras during the current year, and the successful completion of the demerger of the Company's interests in ASX listed Calidus Resources Limited, through a capital reduction scheme. In addition to the value distributed to shareholders, it also left Keras with distributable reserves creating a balance sheet that is geared towards the cashflow strategy adopted by the Company.

In addition, the Company has continued to take steps to ensure the grant of the exploitation licence for its Nayéga manganese mine in Togo. Management has made steady progress with the new Togolese government, has ensured that there are no outstanding requirements related to the grant of the exploitation permit, and look forward to tangible progress in 2021.

## Diamond Creek phosphate mine

Diamond Creek is the highest grade organic phosphate deposit in the US and is owned by a Delaware registered company Falcon Isle Holdings LLC ("Falcon Isle"). Keras has agreed to loan a total of \$2.5m to Falcon Isle, of which \$1.9m had been advanced by 30 September 2020. At the same date Keras had subscribed, for nominal consideration, for 40% of the issued capital of Falcon Isle. Subsequent to 30 September 2020 Keras has advanced the final \$600,000 of its loan commitment and now owns 51% of Falcon Isle, so that Falcon Isle will be treated as a subsidiary company for future accounting periods.

Diamond Creek is fully permitted and has mined, processed and sold organic phosphate during the last quarter of the financial year. The mined material only requires crushing, milling and bagging before being sold as high grade organic fertilizer. The Diamond Creek mine produces the highest grade organic phosphate available in the US - a 28% Phosphorus pentoxide ('P2O5') premium product with minimum 14% available phosphorous ('P'). The available P is significantly higher than the 3% marketed by the majority of its competitors. It also has a long life of mine: at a peak production rate of 48ktpa, the historic "surface mineable resources" alone represent in excess of 60 years of production. The project does not currently have a JORC compliant resource but has a pre-stripped area with production drilling information representing 2 ½ years of planned production.

Production of organic fertilizer for sale to the North American market is planned to increase in stages up to 48,000 tons in Year 5, with forecasted operating costs reducing from an initial \$229/ton to US\$92/ton at peak production. In the first year of production 7,600 tons were produced, an increase of more than 50% over budget, of which 1,012 tons were sold.

Up to now beneficiation has been undertaken through toll-treating agreements. A new processing plant, which was fabricated and shipped from Shanghai, is now on site in Utah and construction is under way. This new plant, to be owned and operated by Falcon Isle, has design capacity to process the five-year 48,000-ton production target and will increase both the installed capacity and flexibility to beneficiate a variety of organic phosphate products. It will also result in a significant reduction in operating costs compared with the current toll agreements. Commissioning remains on schedule and the plant is expected to be operational by the end of March 2021.

## Capital reduction and demerger of Calidus Resources Limited

During the year the Company completed the demerger of its holding of 723,750,000 shares in Calidus Resources Limited ("Calidus") by means of a capital reduction.

The capital reduction and demerger were approved by shareholders on 14 October 2019. Following the second High Court hearing, the Calidus shares were transferred to Keras shareholders on the register at 6.00pm on 19 November 2019 on the basis of 1 Calidus share for every 3.451963 Keras shares held by them on that date. Calidus shares were subsequently consolidated on a 10 for 1 basis, and are currently trading on the ASX at approximately double the price of A\$0.23 per share (as adjusted for the consolidation) immediately following the demerger.

The capital reduction resulted in very substantial changes to the capital and reserves of Keras. Under the Court Orders, the balance on the Company's share premium account was cancelled, followed by the deferred shares, and the nominal value of each ordinary share was reduced from 0.1p ("Old Ordinary Shares") to 0.01p ("New

# Chairman's Statement

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Ordinary Shares"). The amount repayable to shareholders was satisfied by the transfer to them of the Calidus shares. As a result, the deficit on distributable reserves has been eliminated, so that profits made in future will be available for the payment of dividends.

The costs of the capital reduction and demerger, amounting to some £130,000, have been borne by Keras.

## Nayéga manganese mine/Togo

On the 18 October 2019 the Council of Ministers of the Republic of Togo published a decree granting the right for large-scale exploitation of the manganese deposit at Nayéga to the Company's subsidiary, Societe Generale des Mines ("SGM"). Since that date the Company has concentrated its efforts on finalising the required exploitation permit. A number of factors have contributed to the delay in obtaining this licence. Early in 2020 there was a presidential election in Togo, which resulted in the re-election of the standing president. As is customary, the prime minister and his government resigned after the election, requiring Keras to forge new relationships with incoming ministers. To that must be added the effect of the Covid 19 pandemic. Togo has been among the most successful countries worldwide in dealing with the pandemic, but for a substantial part of the year its borders were closed. Notwithstanding these problems, substantial progress has been made, in particular following the reopening of air borders in September 2020 allowing management to continue with their efforts. The terms of the permit and associated protocols have been agreed, and SGM has been converted from a private to a public company, as required by law and in compliance with the draft Mining Convention. Finance for plant expansion through an offtake agreement is expected to be signed following the grant of the exploitation licence.

The Government of Togo is entitled to a 10% carried interest in SGM on grant of the exploitation licence. As part of its commitment to benefit the area where Nayéga is situated, Keras is establishing a charitable foundation for the benefit of local communities, to which Keras intends to contribute 5% of its attributable net profits from SGM.

The exploitation permit requires Presidential approval to allow operations to commence.

## Financial review

The Consolidated Statement of Comprehensive Income for the year shows a loss of £1,242,000 (2019 – loss £471,000). The results of the two periods are not comparable as the previous year includes the positive surplus of £681,000 from the bulk sample produced at Nayéga. The loss for the year under review has also been increased by the costs of discontinuing the previous Share Appreciation Rights scheme (£119,828), and thereby benefitting shareholders by increasing the number of Calidus shares transferred to them under the demerger, and the Company's proportion of Falcon Isle's net loss (£4,000).

Keras undertook fund raisings, in January and July 2020, raising £310,000 and £1,728,000 respectively, for working capital and, in the case of the second placing, to finance the Diamond Creek mine. Since the end of the year a further £1,550,000 has been raised. This level of cash is sufficient to allow Keras to seek and evaluate new projects.

## Outlook

The current year will see the expansion of the Diamond Creek mine into a valuable and profitable asset for the Group, aided by the commissioning of the new processing plant.

The Board also remains hopeful that profitable production will commence at the Nayéga manganese mine in Togo.

Finally, I would like to take this opportunity to thank the rest of the board and our management team for their hard work, and shareholders for their continuing support.

**Brian Moritz**

*Chairman*

23 February 2021

# Strategic Report

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## Strategy and Business Plan

The Group's strategy is to maximise shareholder value through diversified revenue streams from its two core assets, Diamond Creek and Nayéga, thus enhancing the value of those assets through brownfields expansion projects while still identifying potential new projects that increase shareholder value by taking projects through the life cycle from feasibility to development.

The Group's business model has established the Company as an efficient and low cost explorer/developer.

During the reporting period the Group was focussed on three main areas:

1. Demerging its shares in Calidus Resources Limited to shareholders by way of a capital reduction scheme. This was finalised in November 2019.
2. Acquiring a producing mine with near term cash flow – the Diamond Creek phosphate mine in Utah, USA. The mine is owned by Falcon Isle, in which the Company acquired a 40% equity interest during the reporting period, subsequently increased to 51%. The Company has loaned Falcon Isle \$2.5m which is repayable from cash flow.
3. Progressing the Nayéga manganese project in Togo and preparing for commercial production. The Council of Ministers of the Republic of Togo has issued a decree granting the right to mine manganese at Nayéga and, as and when an exploitation permit is obtained, the Group intends to mine commercially at Nayéga with the minimum of delay, initially using the facilities built for the bulk sample. An internal definitive feasibility study previously completed for Nayéga indicates that the project represents significant value potential for the Group.

In exploring and developing mineral deposits, the Group accepts that not all its exploration will be successful but also that the rewards for success can be high. It therefore expects that its shareholders will be invested for potential capital growth, taking a long-term view of management's good track record in mineral discovery and development. The Directors have continued to invest in the Company and currently hold approximately 22% of the issued shares in Keras, after allowing for the substantial fund raisings since the year end. We believe this stake provides further evidence of the Board's belief in and commitment to its strategy.

To date, the Group has financed its activities through equity raisings. As the Group's projects become more advanced, the Board will seek mining and/or offtake finance, and may also investigate strategic opportunities to obtain funding for projects from future customers via production sharing, royalty and other marketing arrangements.

## Financial and Performance Review

There was no turnover in the year under review, but commercial sales have commenced in the year ended 30 September 2021.

The results of the Group are set out in detail in the financial statements. The Group reports a loss for the year of £1,242,000 (2019: loss £471,000).

As a result of the demerger of the Calidus shares, the consolidated total assets of the Group decreased during the year from £11.5m to £3.5m. For the same reason, net assets reduced from £11.3m to £3.1m. However, the capital reduction which was part of the demerger had the effect of reducing the deficit on distributable reserves from £10.3m to a surplus of £8,000, so that the Company will be in a position to distribute future profits as dividends, subject to working capital requirements.

Fixed assets total £1,332,000 (2019: £1,383,000) which includes plant at the Nayéga mine totalling £262,000 (2019: £331,000) as well as exploration, evaluation and development expenditure on the Group's projects in Togo. The carrying value of the Group's equity accounted interest in Falcon Isle, primarily costs relating to the acquisition less its share of losses, totals £1,622,000.

Expenditure such as pre-licence and reconnaissance costs is expensed in profit or loss as incurred.

The Directors have assessed the carrying value of the Nayéga manganese project and no impairment has been deemed necessary.

# Strategic Report

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## Key Performance Indicators (KPIs)

During the year the Board monitored the following KPIs:

- Cash flow and working capital:
  - o Short (<3 months) and long term cashflow models are prepared to monitor and forecast the Group's funding needs;
  - o Management accounts prepared on a monthly basis for the Group's key subsidiaries and quarterly on a consolidated basis; and
  - o Weekly reporting of the Group's working capital position.

When the Group receives an exploitation permit for the Nayéga Manganese project, activities at this project will increase substantially from the current reporting period, to include production forecasts and mine plans.

## Mining projects

### Africa

Keras currently holds an 85% interest in the Nayéga manganese project in Togo, which covers 92,390 hectares in northern Togo, held through Societe Generale des Mines SA ("SGM"). As part of the process to convert the exploration permit to an exploitation permit, the Government of Togo will be granted a carried equity interest of 10%, so diluting the interest of Keras, reducing the Group's interest to 76.5%. The project is 30km from a main road, which has direct access to the regionally important deep-water port of Lome 600km away that has >800,000t per annum back loading capabilities.

Having defined a JORC (2012) Code compliant Indicated and Measured Resource of 11.0Mt @ 13.1% manganese, the Group has completed the Phase 1 Definitive Feasibility Study ("DFS") to develop an initial open-pit, 300,000tpa manganese operation. To support commercial mining at Nayéga, we have applied for an exploitation permit. The Council of Ministers of the Republic of Togo has decreed that SGM has the right to mine manganese at Nayéga, but the Group continues to await the award of the permit itself, and consequently we have been unable to undertake commercial mining activities during the year. Progress on this is described above and in the Chairman's Statement. Test sampling of the material produced as part of the bulk sample process has indicated a manganese content of 38.9% rather than the 35% envisaged in the DFS referred to above. As soon as the exploitation permit is granted, therefore, the directors intend to commence commercial production using the bulk sample plant at the rate of approximately 75,000tpa without the requirement for further capital expenditure, and to increase production capacity to 300,000tpa using offtake finance.

The Group had previously discontinued and disposed of all its other African projects.

### North America

Keras acquired an interest in the Diamond Creek phosphate mine in July 2020, and increased its interest to 51% in December 2020. The mine is situated approximately 70km SSE of Salt Lake City, Utah. Diamond Creek is a fully permitted, high grade direct shipping ore ("DSO"), low capex organic phosphate mine, which has a significant historical mineral resource (mineral resources have not been classified according to any International Reporting Standard) with the first 2.5 years of production already pre-stripped. The phosphate mineralisation comprises shale beds in the Meade Peak Member of the Phosphoria Formation. The mineralised zone is c.3m thick and averages 28% P<sub>2</sub>O<sub>5</sub> with average available phosphorous of 16%. Historic reports vary with "surface mineable resources" ranging from 3.10Mt to 4.60Mt. At a peak production rate of 48ktpa, the opencast resources alone represent in excess of 60 years of production.

The product has received Organic Certification by all three key certification agencies in the USA. As a direct shipping ore it requires no chemical upgrade process, with in-situ grade of 28% P<sub>2</sub>O<sub>5</sub>, low heavy metal impurities and significantly higher available phosphate than any other organic rock phosphate in North America.

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The 2020 mining campaign was completed in October 2020 with a total of 7,620 ore tons extracted from the mine. To date beneficiation has been undertaken through toll-treating agreements. A new plant, to be owned and operated by the Group, which has the capacity to process the 5-year 48,000-ton production target, has been manufactured in China and shipped to the USA. Commissioning is expected to be complete by 31 March 2021. The plant will include a crushing and milling circuit to produce a range of products comprising -10 mesh, -100 mesh and -350 mesh powders and a granulation plant to produce high margin granulated organic phosphate. The processing facility will also include a bagging plant to ensure that all products are available in both one ton tote bags and 50lb bags. Once commissioned, the plant will increase both the available capacity and flexibility to produce different sized beneficiated material whilst lowering operating costs.

## **Risk Management**

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible.

The principal risks and uncertainties facing the Group at this stage in its development are:

### **Exploration Risk**

The Group's business has been primarily mineral exploration and evaluation which are speculative activities and whilst the Directors are satisfied that good progress is being made, there is no certainty that the Group will be successful in the definition of economic mineral deposits, or that it will proceed to the development of any of its projects or otherwise realise their value.

The Group aims to mitigate this risk when evaluating new business opportunities by targeting areas of potential where there is at least some historical drilling or geological data available.

### **Resource Risk**

All mineral projects have risk associated with defined grade and continuity. Mineral reserves and resources are calculated by the Group in accordance with accepted industry standards and codes but are always subject to uncertainties in the underlying assumptions which include geological projection and commodity price assumptions.

The Group reports mineral resources and reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code'). The JORC Code is a professional code of practice that sets minimum standards for public reporting of mineral exploration results, mineral resources and ore reserves. Further information on the JORC Code can be found at [www.jorc.org](http://www.jorc.org).

### **Development Risk**

Delays in permitting, financing and commissioning a project may result in delays to the Group meeting production targets. Changes in commodity prices can affect the economic viability of mining projects and affect decisions on continuing exploration activity.

### **Mining and Processing Technical Risk**

Notwithstanding the completion of metallurgical testwork, test mining and pilot studies indicating the technical viability of a mining operation, variations in mineralogy, mineral continuity, ground stability, ground water conditions and other geological conditions may still render a mining and processing operation economically or technically non-viable.

The Group has a small team of mining professionals experienced in geological evaluation, exploration, financing and development of mining projects. To mitigate development risk, the Group supplements this from time to time with engagement of external expert consultants and contractors.



# Strategic Report

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## Environmental Risk

Exploration and development of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project. Once a project is in production unforeseen events can give rise to environmental liabilities.

The Group is now entering the mining stage. Any disturbance to the environment during this phase is required to be rehabilitated in accordance with the prevailing regulations of the countries in which we operate.

## Financing & Liquidity Risk

The Group has had an ongoing requirement to fund its activities through the equity markets and may in future need obtain finance for project development. There is no certainty such funds will be available when needed. To date, Keras has managed to raise funds primarily through equity and debt placements despite the very difficult markets that currently exist for raising funding in the junior mining industry.

## Political Risk

All countries carry political risk that can lead to interruption of activity. Politically stable countries can have enhanced environmental and social permitting risks, risks of strikes and changes to taxation whereas less developed countries can have, in addition, risks associated with changes to the legal framework, civil unrest and government expropriation of assets.

## Partner Risk

Whilst there has been no past evidence of this, the Group can be adversely affected if joint venture partners are unable or unwilling to perform their obligations or fund their share of future developments.

The Group aims to mitigate this risk by 1) holding significant majority shareholdings in our projects that we can commit to funding our minority partners until production and positive cash flow and 2) endeavouring to enter into joint venture funding arrangements with credible counterparties.

## Bribery Risk

The Group has adopted an anti corruption policy and whistle blowing policy under the Bribery Act 2010. Notwithstanding this, the Group may be held liable for offences under that Act committed by its employees or subcontractors, whether or not the Group or the Directors had knowledge of the commission of such offences.

## Financial Instruments

Details of risks associated with the Group's financial instruments are given in Note 26 to the financial statements. Keras does not utilise any complex or derivative financial instruments.

## COVID-19

The Directors do not believe that Covid 19 has had a material effect on the Company or its operations other than travel restrictions which restrict the ability of management to visit operations in Togo and the USA. This has been mitigated by increased home working and use of electronic communications. The Directors expect international travel to become easier in the foreseeable future.

## Insurance Coverage

The Group maintains a suite of insurance coverage that is appropriate for the Group and Company. This is arranged via a specialist mining insurance broker and coverage includes public and products liability, travel, property and medical coverage and assistance while Group employees and consultants are travelling on Group business. This is reviewed at least annually and adapted as the Group's scale and nature of activities changes. Keras also has Directors and Officers insurance in place.

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## Internal Controls and Risk Management

The Directors are responsible for the Group's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

In carrying out their responsibilities, the Directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible. The Directors review the effectiveness of internal financial control at least annually.

The Board, subject to delegated authority, reviews capital investment, property sales and purchases, additional borrowing facilities, guarantees and insurance arrangements.

The Board takes account of the significance of social, environmental and ethical matters affecting the business of the Group. At this stage in the Group's development the Board has not adopted a specific policy on Corporate Social Responsibility as it has a limited pool of stakeholders other than its shareholders. Rather, the Board seeks to protect the interests of Keras' stakeholders through individual policies and through ethical and transparent actions.

The Group has adopted an anti-corruption and bribery policy and a whistle blowing policy as stated above.

## Shareholders

The Directors are always prepared, where practicable and subject to confidentiality under the AIM Rules, to enter into dialogue with shareholders to promote a mutual understanding of objectives. The Annual General Meeting provides the Board with an opportunity to informally meet and communicate directly with investors.

## Environment

The Board recognises that its principal activities, mineral exploration and mining, have potential to impact on the local environment. To date, activities at the various projects have been limited to mining and drilling activities and the Group does comply with local regulatory requirements with regard to environmental compliance and rehabilitation. The impact on the environment of the Group's activities has the potential to increase as our projects move into a production phase. This is currently assessed through baseline environmental studies that are being undertaken and identifying resources needed to manage environmental compliance in the future.

Given the Group's size and scale it is not considered practical or cost effective to collect and report data on carbon emissions.

## Employees

The Group operates primarily through contractors. Notwithstanding this, the Group engages its employees to understand all aspects of the Group's business and seeks to remunerate its employees fairly, being flexible where practicable. The Group gives full and fair consideration to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs, transgender status or sexual orientation. The Group takes account of employees' interests when making decisions and welcomes suggestions from employees aimed at improving the Group's performance.

The Group now operates in Togo and in the USA. It recruits locally as many of its employees and contractors as practicable.

The Company has three directors and one senior manager (Graham Stacey) – all are male.

# Strategic Report

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## Suppliers and Contractors

The Group recognises that the goodwill of its contractors, consultants and suppliers is important to its business success and seeks to build and maintain this goodwill through fair dealings. The Group has a prompt payment policy and seeks to settle all agreed liabilities within the terms agreed with suppliers.

## Health and Safety

The Board recognises that it has a responsibility to provide strategic leadership and direction in the development of the Group's health and safety strategy in order to protect all of its stakeholders. The Group does not have a formal health and safety policy at this time. This is re-evaluated as and when the Group's nature and scale of activities expand.

## Section 172 statement

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term;
- Act fairly between the members of the Company;
- Maintain a reputation for high standards of business conduct;
- Consider the interests of the Company's employees;
- Foster the Company's relationships with suppliers, customers and others; and
- Consider the impact of the Company's operations on the community and the environment.

The Company's operations and strategic aims are set out throughout the Strategic Report and in the Chairman's Statement, and relationships with stakeholders are also dealt with in the Corporate Governance Statement

## **Russell Lamming**

*Director*

This Strategic Report was approved by the Board of Directors on 23 February 2021

# The Board

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## **BRIAN MORITZ**

*Non-executive Chairman*

Brian is a Chartered Accountant and former Senior Partner of Grant Thornton, London. He formed Grant Thornton's Capital Markets Team which floated over 100 companies on AIM under his chairmanship. In 2004 he retired from Grant Thornton to concentrate on bringing new companies to the market as a director. He concentrates on mining companies, primarily in Africa, and was formerly chairman of African Platinum PLC (Afplats) and Metal Bulletin PLC as well as currently being chairman of several junior mining companies.

## **RUSSELL LAMMING**

*Chief Executive Officer*

Russell Lamming is a qualified geologist with an honours degree in geology from the University of the Witwatersrand and a Bachelor of Commerce in Economics from the University of Natal. Russell has a broad range of experience including directorship of a South African mining consultancy and precious metals analyst for a leading international broker and was the CEO of AIM listed Chromex Mining and Goldplat Plc. He has strong relationships in London and internationally and has raised considerable funds for resource companies over the years.

## **DAVE REEVES**

*Non-Executive Director*

Dave holds a first class honours degree in mining engineering from the University of New South Wales, a graduate diploma in applied finance and investment from the Securities Institute of Australia, and a Western Australian first class mine managers certificate of competency. He has over 25 years' experience and has operated in Australia, Africa and Europe in gold, precious metals, mineral sands, bulks and copper. He is CEO of Calidus Resources Limited and non-executive Chairman of ASX and AIM listed European Metals Holdings.

# Corporate Governance Statement

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To the extent applicable, and to the extent able (given the current size and structure of the Company and the Board), the Company has adopted the Quoted Companies Alliance Corporate Governance Code. Details of how the Company complies with the Code, and the reasons for any non-compliance, are set out in the table below, together with the principles contained in the Code.

No key governance matters have arisen since the publication of the last Annual Report.

In light of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed. Further disclosures under the Code are included on the Company's website.

*Principle 1: Establish a strategy and business model which promote long term value for shareholders.*

The Company's strategy is to identify mining projects which can be developed to create value and income for shareholders. In June 2017 this strategy was successfully demonstrated when the Company's Australian gold exploration assets were floated on the Australian Securities Exchange (ASX) with the name Calidus Resources Limited. Since 30 September 2019 the Company's shares in Calidus have been demerged and transferred to the Company's shareholders by way of a capital reduction.

The demerger has permitted the Board to examine other projects, and in particular the Diamond Creek phosphate mine in Utah, USA, where the Company has completed the staged acquisition of a controlling 51% equity interest since 30 September 2020.

The Company has also concentrated preparations for mining at its other primary project, the Nayéga manganese project in Togo. The Company has agreed in principle offtake related finance to expand production at Nayéga, and is also investigating the use of manganese from Nayéga for battery metal purposes.

*Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation.*

The risks facing the Company are detailed in the Strategic Report. The Board seeks to mitigate such risks so far as it is able to do, but certain important risks cannot be controlled by the Board.

In particular, products the Company is seeking to identify and ultimately mine are traded globally at prices reflecting supply and demand rather than the cost of production. So far as the Company is concerned, the substantial decline in the price of iron ore rendered two previous projects non-viable, both of which had appeared to have substantial value on a discounted cash flow basis, and they were abandoned.

While the Company will only invest in exploration projects where there is a legal right to convert an initial exploration licence to a mining licence, in practice it may be difficult to obtain such conversion for political reasons. There is no legal way that the Company can protect itself against this possibility.

*Principle 5: Maintain the Board as well-functioning, balanced team led by the chair.*

The Company will only begin to earn material income during the current year. For cost reasons the Board has been reduced to three directors. All of the directors have demonstrated their commitment to the Company by supporting fund raisings, with the result that they own, in aggregate, some 22.3% of the ordinary issued share capital. It follows that none of the directors is considered to be independent.

Russell Lamming, the CEO, works full time for the Company. The other directors, Brian Moritz (the Chairman) and Dave Reeves, are non-executive directors. As Dave Reeves is resident in Australia, physical Board meetings are held when he is in the United Kingdom and on an ad hoc basis. Where required at other times, Board meetings are normally conducted with Dave Reeves present by telephone.

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The CEO holds frequent informal discussions with the non-executive directors. Throughout the year such discussions average approximately two per week. Discussions with Brian Moritz are normally held in the Company's offices in Cobham, Surrey, while those with Dave Reeves are normally held by telephone.

Non-executive directors are committed to devote 30 days per annum to the Company, but in fact exceed that required time commitment. Prior to 1 April 2019 each of the non-executive directors has reduced his fees drawn to half of the contracted amount, to £15,000 per annum for Brian Moritz and £12,000 per annum for Dave Reeves. Subsequently fees were increased to £42,000 per annum for Brian Moritz and £24,000 per annum for Dave Reeves, still below the median for AIM companies, but more in line with the time commitments and efforts of the non-executive directors.

*Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.*

CVs of the directors are disclosed elsewhere in this Annual Report.

Each of the directors maintains up to date skills by a combination of technical journals and courses.

As an exploration and mining Company the main skills required by the Board are in the area of geology and mining. Russell Lamming is a qualified geologist and Dave Reeves is a qualified mining engineer, each with a long history of achievement in this area. Importantly, each of them has also been in charge of the construction and operation of mines.

As the Company moves into mining rather than exploration the management team has been strengthened by the appointment of Graham Stacey as Chief Operating Officer with main responsibility for Togo operations. Graham has wide experience of mining in Africa, and has previously been an executive director of an AIM listed mining company. In Utah the Company has nominated Jean du Plessis as a director of Falcon Isle with responsibility for mining and processing. Jean has wide experience of managing such operations in South Africa and the USA.

Brian Moritz is a Chartered Accountant. In addition to his financial skills he has been registered as a Nominated Adviser and has wide experience of corporate transactions.

The advice of Azets, a top 10 accounting firm, is sought on technical accounting matters, in particular in relation to compliance with IFRS.

*Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.*

The Board has successfully achieved major objectives by:

- Capitalising the value of its Australian exploration assets, floating them on the ASX and demerging the resulting shares by distributing them to Keras shareholders
- Progressing the Nayéga project in Togo from exploration to be fully prepared for commercial mining on grant of the exploitation permit.
- Acquiring a producing phosphate mine in Utah, USA and commencing production.

The Board will concentrate on achieving profitable production and positive cash flow from its existing projects while continuing to seek other mining projects.

Given the current state of the Company's development the directors believe that the Board operates efficiently and cost effectively and that the cost of an external review process is not justified. Nevertheless, it is intended that the Board will be strengthened in due course to reflect its progress from exploration to mining.

*Principle 8: Promote a corporate culture that is based on ethical values and behaviours.*

So far as possible the Company recruits locally for staff. The contractor for its mining operations in Togo is a local company, which is also responsible for transportation of the product from the mine to the port of Lome.

# Corporate Governance Statement

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continued

In Utah, the Group's product is a natural organic fertilizer which plays its part in reducing reliance on artificial manufactured fertilizers.

The Board is conscious of the fact that parts of Africa may be viewed as corrupt areas in which to operate. Nevertheless, the Company has adopted a comprehensive anti-corruption and whistle blowing policy which is strictly applied.

The Board utilises an ethical policy which respects local cultural and tribal sensitivities at the Nayéga mine in Togo. This policy takes account of religious beliefs of the local people.

*Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.*

The Board communicates with its stakeholders through social media and webcasts, as well as by announcements on RNS. It welcomes the ability to meet and engage with shareholders at general meetings, but this has not been possible in 2020 due to Covid 19 restrictions.

The audit committee normally meets twice per annum, on its own to consider and approve the interim results, and with the auditors to consider the annual report and matters raised by the auditors based on their audit. So far as possible recommendations by the auditors are immediately implemented. As the CEO is also present as an observer at such meetings, no further report is submitted to the Board.

The remuneration committee meets on an ad hoc basis when required. Fees paid to the non-executive directors are settled by the Chief Executive Officer, as both non-executive directors comprise the remuneration committee.

**Brian Moritz**

*Chairman*

23 February 2021

# Directors' Report

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The Directors present their report together with the audited financial statements of the Group for the year ended 30 September 2020.

The Group's projects are set out in the Strategic Report.

## Review of business and financial performance

Further details on the financial position and development of the Group are set out in the Chairman's Statement, the Strategic Report and the annexed financial statements.

## Results

The Group reports a loss for the year of £1,242,000 (2019: loss £471,000).

## Major events after the balance sheet date

Since the end of the year further loans have been made to Falcon Isle and the Company's equity interest has been increased from 40% to 51%, so that Falcon Isle will be accounted for as a subsidiary in future periods.

The Company has also raised a further £1,550,000, before expenses, by a placing of New Ordinary Shares.

## Dividends

The Directors do not recommend payment of a dividend for the year ended 30 September 2020 (2019: £nil).

## Political donations

There were no political donations during the year (2019: £nil).

## Going concern

The Directors continue to adopt the going concern basis in preparing the financial statements as further explained in Note 2 to the financial statements.

## Directors' indemnities

The Group maintains Directors and Officers liability insurance providing appropriate cover for any legal action brought against its Directors and/or officers.

## Audit Committee

The Audit Committee, which comprises R Lamming and B Moritz, and is chaired by B Moritz, is responsible for ensuring the financial performance, position and prospects of the Group are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls. Meetings of the Audit Committee are held at least twice a year, at appropriate times in the reporting and audit cycle. The Audit Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility. The members of the Audit Committee are re-elected annually by the Board.

## Remuneration Committee

The Remuneration Committee, which comprises D Reeves and B Moritz and which is chaired by D Reeves, reviews the performance of the executive directors and sets their remuneration, determines the payment of bonuses to executive directors and considers the future allocation of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time to Directors and employees. Meetings of the Remuneration Committee are intended to be held at least twice a year, but while the only executive director is the CEO, R Lamming, meetings are only held when required. The Remuneration Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility. The members of the Remuneration Committee are re-elected annually by the Board.



# Directors' Report

continued

## Directors

The following Directors held office throughout the year:

B Moritz  
D Reeves  
R Lamming

## Directors' interests

The beneficial interests of the Directors holding office on 30 September 2020 in the issued share capital of the Company were as follows:

	30 September 2020		30 September 2019	
	Number of New Ordinary Shares	Percentage of issued ordinary share capital	Number of Old Ordinary Shares	Percentage of issued ordinary share capital
B Moritz	106,627,178	2.19%	102,960,512	4.13%
D Reeves <sup>1,2</sup>	780,706,252	16.04%	470,400,491	18.88%
R Lamming <sup>3</sup>	370,916,552	7.62%	69,157,461	2.78%

<sup>1</sup> 477,960,361 New Ordinary Shares are held by the Elwani Trust whose beneficiaries are the spouse and children of David Reeves. David Reeves is a trustee of the Elwani Trust.

<sup>2</sup> 11,597,223 New Ordinary Shares are held in the Bodmin Super Fund whose trustees and beneficiaries are David and Eleanor Reeves.

<sup>3</sup> 87,385,940 ordinary shares were held by Parallel Resources Ltd., a company wholly owned by Mr and Mrs Lamming.

In addition, D Reeves and R Lamming hold 143,741,001 and 112,491,001 warrants entitling them to subscribe for the same number of ordinary shares at a price of 0.24p per share at any time up to 31 August 2021.

On 18 January 2021 D Reeves and B Moritz subscribed for 63,636,364 and 36,363,636 New Ordinary Shares respectively, and on 15 February 2021 B Moritz and R Lamming subscribed for 17,391,304 and 26,086,957 New Ordinary Shares respectively.

## Directors' remuneration and service contracts

Details of remuneration payable to Directors as disclosed in note 11 to these financial statements:

	Remuneration £'000	Share-based payments £'000	2020 Total £'000	2019 Total £'000
B Moritz	42	–	42	29
D Reeves	24	–	24	18
R Lamming	272	46	318	149
	338	46	384	196

The Company had established a share appreciation rights scheme to incentivise Directors and senior management. Compensation paid to R Lamming of £119,828 on the cancellation of this scheme, as fully set out in note 23, is included in his remuneration figure above.

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## Statement of Directors' responsibilities

The Directors are responsible for preparing the strategic report, the directors' 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 ('IFRS') 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 Parent Company and of the profit or loss of the Group and Parent Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Company is compliant with AIM Rule 26 regarding the Company's website.

## Statement of disclosure to auditor

Each Director at the date of approval of this report confirms that;

So far as they are aware,

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

## Auditor

A resolution to re-appoint PKF Littlejohn LLP as auditor will be proposed at the Annual General Meeting. PKF Littlejohn LLP has indicated its willingness to continue in office.

By order of the Board

**Brian Moritz**

*Director*

23 February 2021

# Independent Auditor's Report to the Members of Keras Resources Plc

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## Opinion

We have audited the financial statements of Keras Resources Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statements of Financial Position, the Consolidated Statements of Changes in Equity, the Consolidated Statements of Cash Flows, the Parent Company Statements of Financial Position, the Parent Company Statements of Changes in Equity, the Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation 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 30 September 2020 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 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.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. Group materiality was £70,000 (2018: £35,000) based upon gross assets, with the increase in materiality compared to the prior year being as a result of the increase in the Group's assets (excluding the investment in Calidus) in the year. The parent company has no trading activity and materiality was £40,000 (2018: £28,000) based loss before tax. For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality.

## An overview of the scope of our audit

In designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the Directors and considered future events that are inherently uncertain. Such areas include the assessment of the recoverability of capitalised exploration costs and the investment in associate, as well as the assessment of the Group's going concern status. As noted below, all of these matters have been raised as key audit matters. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. Of the reporting components of the Group, we concentrated our testing on two components comprising entities which represent the principal business activities within the Group. Of the two components selected, we performed audit procedures on significant areas based on size or risk profile, or in response to potential risks of material misstatement to the Group.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the key audit matter
<p data-bbox="165 1070 341 1099"><b>Going concern</b></p> <p data-bbox="165 1115 767 1178"><b>The Group made a loss for the year ended 30 September 2020 totalling £1.257m.</b></p> <p data-bbox="165 1205 767 1357"><b>Given the level of cash held by the Group at the year end, there is a risk that the Group may need to raise further finance during the next 12 months in order to maintain its going concern status and may not be successful in raising additional finance.</b></p> <p data-bbox="165 1384 767 1476"><b>See note 2 for disclosure of the Directors' justification for assessing the Group and Company as a going concern.</b></p>	<p data-bbox="810 1115 1410 1267">We obtained and reviewed Management's latest cashflow forecasts covering the going concern period; challenging the key assumptions, reviewing the mathematical accuracy of the forecast and conducting sensitivity analysis.</p> <p data-bbox="810 1294 1410 1357">We ascertained the Group's current cash position and performance post year end.</p> <p data-bbox="810 1384 1410 1476">We also discussed with Management the Group's funding commitments in respect of Falcon Isle Resources, LLC.</p> <p data-bbox="810 1503 1410 1688">It was ascertained that the Group's forecasted net cash outflows over the going concern period, on a contractual and committed basis, were less than the latest cash position. The forecast and the assumptions underpinning it were found to be reasonable.</p> <p data-bbox="810 1715 1410 1841">As a result, assurance has been gained that it is appropriate to prepare the Group and Company financial statements on the going concern basis and that no material uncertainty exists.</p>

# Independent Auditor's Report to the Members of Keras Resources Plc

continued

Key Audit Matter	How the scope of our audit responded to the key audit matter
<p><b>Classification and recoverability of investment in Falcon Isle Resources, LLC.</b></p> <p><b>During the year, the Company entered into an agreement to earn into a controlling 51% interest in US entity Falcon Isle Resources, LLC, the 100% owner of the operating Diamond Creek phosphate mine in Utah.</b></p> <p><b>There is a risk the investment has not been correctly classified and thus accounted for in accordance with IFRS 3, IFRS 10, IFRS 11 and IAS 28 on the date of acquisition and at the year-end, in accordance with the assessment of control versus significant influence.</b></p> <p><b>Additionally, there is a risk that the investment may not be fully recoverable.</b></p> <p><b>See note 16 for further commentary.</b></p>	<p>We confirmed the Company's ownership of the investment in Falcon Isle Resources, LLC and reviewed the underlying agreement(s); evaluating the existence of control versus significant influence and ensuring the investment was treated accordingly.</p> <p>We gained assurance over the accuracy, existence, completeness and valuation of Falcon Isle Resources LLC's net assets at the date of initial recognition and at year-end, together with its profit or loss for the period and ensured any US GAAP to IFRS adjustments required on consolidation of the investee were correctly adjusted.</p> <p>We ensured that amounts advanced to Falcon Isle Resources, LLC, which enabled the Company to acquire a 40% shareholding at year-end, were correctly treated in accordance with IAS 28.</p> <p>We agree with Management's classification of the investment and no indicators of impairment have been identified.</p>
<p><b>Recoverability of Intangible Assets – prospecting and exploration rights</b></p> <p><b>The group has intangible assets of £1.069 million (note 15) as at 30 September 2020, comprising prospecting and exploration rights, which is tested annually for impairment.</b></p> <p><b>Where value in use is applicable, the estimated recoverable amount is subjective due to inherent uncertainty involved in forecasting and discounting future cashflows.</b></p>	<p>We confirmed the Group held good title to the underlying exploration licenses and assessed whether any indicators of impairment exist.</p> <p>Where applicable, we reviewed management's value in use calculations to include the key assumptions therein. We performed sensitivity analysis on the headroom to probable changes in key assumptions.</p> <p>The exploration and evaluation assets in were assessed with reference to the criteria listed within IFRS 6, to include whether:</p> <ul style="list-style-type: none"> <li>• The licence is not expected to be renewed upon expiry;</li> <li>• Substantive expenditure on further exploration and evaluation is not budgeted or planned; and</li> <li>• Exploration and evaluation work to date indicates that the carrying amount is unlikely to be recovered from further development or sale.</li> </ul> <p>We consider Management's assessment of impairment is reasonable in concluding no impairment is required to be recognised at year-end.</p>

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## 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 group and parent company 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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company 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 group and parent company 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.

# Independent Auditor's Report to the Members of Keras Resources Plc

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continued

## 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](http://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.

**David Thompson (Senior Statutory Auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**

15 Westferry Circus  
Canary Wharf  
London E14 4HD

23 February 2021

# Consolidated statement of comprehensive income

for the year ended 30 September 2020

	Notes	2020 £'000	2019 £'000
<b>Continuing operations</b>			
<b>Revenue</b>		–	–
Cost of sales		–	–
<b>Gross profit</b>		–	–
Recovery of costs of bulk sample	8	–	681
Administrative and exploration expenses		(1,235)	(1,147)
<b>Loss from operating activities</b>		(1,235)	(466)
Finance costs	12	(3)	(5)
<b>Net finance costs</b>		(3)	(5)
Share of net loss of associates accounted for using the equity method		(4)	–
<b>Results from operating activities after finance costs</b>		(1,242)	(471)
Tax	13	–	–
<b>Loss for the year from continuing operations</b>		(1,242)	(471)
<b>Other comprehensive income – items that may be subsequently reclassified to profit or loss</b>			
Exchange translation on foreign operations		(15)	32
<b>Items that will not be reclassified to profit or loss</b>			
Change in fair value of equity investments at fair value through other comprehensive income		–	(1,604)
<b>Total comprehensive loss for the year</b>		(1,257)	(2,043)
<b>Loss attributable to:</b>			
Owners of the Company		(1,181)	(514)
Non-controlling interests		(61)	43
<b>Loss for the year</b>		(1,242)	(471)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(1,194)	(2,091)
Non-controlling interests		(63)	48
<b>Total comprehensive loss for the year</b>		(1,257)	(2,043)
<b>Earnings per share from continuing and discontinued operations</b>			
Basic and diluted loss per share (pence)	22	(0.040)	(0.022)
<b>From continuing operations</b>			
Basic and diluted loss per share (pence)	22	(0.040)	(0.022)

The notes on pages 31 to 56 are an integral part of these consolidated financial statements.



# Consolidated statement of financial position

as at 30 September 2020

	Notes	2020 £'000	2019 £'000
<b>Assets</b>			
Property, plant and equipment	14	263	332
Intangible assets	15	1,069	1,051
Investments accounted for using the equity method	16	1,622	–
<b>Non-current assets</b>		2,954	1,383
Other investments	17	–	9,923
Trade and other receivables	19	83	35
Cash and cash equivalents	20	438	184
<b>Current assets</b>		521	10,142
<b>Total assets</b>		3,475	11,525
<b>Equity</b>			
Share capital	21	487	7,266
Share premium		2,637	10,938
Other reserves		16	3,426
Retained earnings/(deficit)		8	(10,310)
<b>Equity attributable to owners of the Company</b>		3,148	11,320
Non-controlling interests		(140)	(76)
<b>Total equity</b>		3,008	11,244
<b>Liabilities</b>			
Trade and other payables	24	467	281
<b>Current liabilities</b>		467	281
<b>Total liabilities</b>		467	281
<b>Total equity and liabilities</b>		3,475	11,525

The financial statements were approved by the Board of Directors and authorised for issue on 23 February 2021. They were signed on its behalf by:

**Brian Moritz**  
Director

The notes on pages 31 to 56 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

for the year ended 30 September 2020

	Share capital £'000	Share premium £'000	Share option/ warrant reserve £'000	Exchange reserve £'000	Financial assets at FVOCI £'000	Retained earnings/ (deficit) £'000	Total £'000	Non- controlling interests £'000	Total equity £'000
Balance at 1 October 2019	7,266	10,938	-	(33)	3,459	(10,310)	11,320	(76)	11,244
Loss for the year	-	-	-	-	-	(1,181)	(1,181)	(61)	(1,242)
Other comprehensive income	-	-	-	(16)	-	4	(12)	(3)	(15)
<b>Total comprehensive loss for the year</b>	-	-	-	(16)	-	(1,177)	(1,193)	(64)	(1,257)
Capital reduction	(7,023)	(10,938)	-	-	-	17,961	-	-	-
Demerger and recycling of OCI reserve	-	-	-	-	(3,459)	(6,464)	(9,923)	-	(9,923)
Issue of ordinary shares	244	2,718	-	-	-	-	2,962	-	2,962
Costs of share issue	-	(81)	-	-	-	-	(81)	-	(81)
Share-based payment transactions	-	-	63	-	-	-	63	-	63
Transfer	-	-	-	2	-	(2)	-	-	-
<b>Transactions with owners, recognised directly in equity</b>	(6,779)	(8,301)	63	2	(3,459)	11,495	(6,979)	-	(6,979)
<b>Balance at 30 September 2020</b>	487	2,637	63	(47)	-	8	3,148	(140)	3,008

The notes on pages 31 to 56 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

for the year ended 30 September 2019

	Attributable to owners of the Company							Total equity £'000	
	Share capital £'000	Share premium £'000	Share option reserve £'000	Exchange reserve £'000	Financial assets at FVOCI £'000	Retained deficit £'000	Total £'000		Non- controlling interests £'000
Balance at 1 October 2018	7,064	10,358	108	(36)	5,063	(10,006)	12,551	(124)	12,427
Loss for the year	-	-	-	-	-	(514)	(514)	43	(471)
Other comprehensive income	-	-	-	3	(1,604)	24	(1,577)	5	(1,572)
<b>Total comprehensive loss for the year</b>	-	-	-	3	(1,604)	(490)	(2,091)	48	(2,043)
Issue of ordinary shares	202	607	-	-	-	-	809	-	809
Costs of share issue	-	(27)	-	-	-	-	(27)	-	(27)
Share-based payment transactions	-	-	78	-	-	-	78	-	78
Transfer reserve in respect of warrants lapsed	-	-	(186)	-	-	186	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>	202	580	(108)	-	-	186	860	-	860
<b>Balance at 30 September 2019</b>	7,266	10,938	-	(33)	3,459	(10,310)	11,320	(76)	11,244

The available for sale assets reserve at 30 September 2018 has been reclassified to financial assets at FVOCI on adoption of IFRS 9.

The notes on pages 31 to 56 are an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

for the year ended 30 September 2020

	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>		
Loss from operating activities	(1,242)	(471)
Adjustments for:		
Depreciation and amortisation	76	28
Share of loss of equity accounted associate	4	–
Compensation on cancellation of SARS scheme	120	–
Equity-settled share-based payments	63	78
Impairment	–	155
Foreign exchange differences	(39)	36
	(1,018)	(174)
Changes in:		
– trade and other receivables	2	(19)
– trade and other payables	278	(18)
<b>Cash generated by/(used in) operating activities</b>	(738)	(211)
Finance costs	–	–
Taxes paid	–	–
<b>Net cash generated by/(used in) operating activities</b>	(738)	(211)
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	–	(127)
Exploration and licence expenditure	(1)	(18)
Investment in associate	(938)	–
<b>Net cash used in investing activities</b>	(939)	(145)
<b>Cash flows from financing activities</b>		
Net proceeds from issue of share capital	1,931	323
<b>Net cash flows from financing activities</b>	1,931	323
<b>Net (decrease)/increase in cash and cash equivalents</b>	254	(33)
Cash and cash equivalents at beginning of year	184	217
<b>Cash and cash equivalents at 30 September</b>	438	184

The following significant non-cash transactions took place in the year ended 30 September 2020:

- Shares were issued to settle a total of £899,000 due to creditors and certain directors, which includes amounts previously advanced to Falcon Isle by certain directors totalling \$700,000.
- Under the Company's capital reduction scheme, following approval by shareholders and by the High Court, the Company's entire holding of ordinary shares in Calidus was transferred to the Company's shareholders.

The notes on pages 31 to 56 are an integral part of these consolidated financial statements.

# Company statement of financial position

as at 30 September 2020

	Notes	2020 £'000	2019 £'000
<b>Assets</b>			
Property, plant and equipment	14	–	–
Investments	16	1,622	–
<b>Non-current assets</b>			
Other investments	17	–	9,923
Loans	18	1,534	1,379
Trade and other receivables	19	70	34
Cash and cash equivalents	20	428	175
<b>Current assets</b>			
		2,032	11,511
<b>Total assets</b>			
		3,654	11,511
<b>Equity</b>			
Share capital	21	487	7,266
Share premium		2,637	10,938
Other reserves		63	3,459
Retained earnings/(deficit)		285	(10,401)
<b>Total equity attributable to owners of the Company</b>			
		3,472	11,262
<b>Liabilities</b>			
Trade and other payables	24	182	249
<b>Current liabilities</b>			
		182	249
<b>Total liabilities</b>			
		182	249
<b>Total equity and liabilities</b>			
		3,654	11,511

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company profit and loss account. The Parent Company loss for the period was £811,000 (2019: loss of £711,000).

The financial statements of Keras Resources PLC, company number 07353748, were approved by the Board of Directors and authorised for issue on 23 February 2021. They were signed on its behalf by:

**Brian Moritz**  
*Director*

The notes on pages 31 to 56 are an integral part of these consolidated financial statements.

# Company statement of changes in equity

for the year ended 30 September 2020

	Share capital £'000	Share premium £'000	Share option/ warrant/ reserve £'000	Financial assets at FVOCI £'000	Retained earnings/ (deficit) £'000	Total equity £'000
Balance at 1 October 2018	7,064	10,358	108	5,063	(9,876)	12,717
Loss for the year	-	-	-	-	(711)	(711)
Other comprehensive income	-	-	-	(1,604)	-	(1,604)
<b>Total comprehensive loss for the year</b>	-	-	-	(1,604)	(711)	(2,315)
Issue of ordinary shares	202	607	-	-	-	809
Costs of share issue	-	(27)	-	-	-	(27)
Share-based payment transactions	-	-	78	-	-	78
Transfer reserves in respect of warrants lapsed	-	-	(186)	-	186	-
Transactions with owners, recognised directly in equity	202	580	(108)	-	186	860
<b>Balance at 30 September 2019</b>	<b>7,266</b>	<b>10,938</b>	<b>-</b>	<b>3,459</b>	<b>(10,401)</b>	<b>11,262</b>
Balance at 1 October 2019	7,266	10,938	-	3,459	(10,401)	11,262
Loss for the year	-	-	-	-	(811)	(811)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(811)</b>	<b>(811)</b>
Capital reduction	(7,023)	(10,938)	-	17,961	-	-
Demerger and recycling of OCI reserve	-	-	-	(3,459)	(6,464)	(9,923)
Issue of ordinary shares	244	2,718	-	-	-	2,962
Costs of share issue	-	(81)	-	-	-	(81)
Share-based payment transactions	-	-	63	-	-	63
Transactions with owners, recognised directly in equity	(6,779)	(8,301)	63	(3,459)	11,497	(6,979)
<b>Balance at 30 September 2020</b>	<b>487</b>	<b>2,637</b>	<b>63</b>	<b>-</b>	<b>285</b>	<b>3,472</b>

The notes on pages 31 to 56 are an integral part of these consolidated financial statements.

# Company statement of cash flows

for the year ended 30 September 2020

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>		
Loss from operating activities	(811)	(711)
Adjustments for:		
Depreciation	–	–
Share of loss of associate	4	–
Impairment/write off of loan	4	159
Compensation on cancellation of SARS scheme	120	–
Equity-settled share-based payments	63	78
Changes in:		
– trade and other receivables	14	(19)
– trade and other payables	25	(39)
<b>Cash generated by/(used in) operating activities</b>	<b>(581)</b>	<b>(532)</b>
Finance costs	–	–
<b>Net cash generated by (used in) operating activities</b>	<b>(581)</b>	<b>(532)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	–	–
Investment in associate	(938)	–
<b>Net cash used in investing activities</b>	<b>(938)</b>	<b>–</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of share capital	1,931	323
Loans (to)/repaid by subsidiaries	(159)	176
<b>Net cash flows from financing activities</b>	<b>1,772</b>	<b>499</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>253</b>	<b>(33)</b>
Cash and cash equivalents at beginning of year	175	208
<b>Cash and cash equivalents at 30 September</b>	<b>428</b>	<b>175</b>

The following significant non-cash transactions took place in the year ended 30 September 2020:

- Shares were issued to settle a total of £899,000 due to creditors and certain directors, which includes amounts previously advanced to Falcon Isle by certain directors totalling \$700,000.
- Under the Company's capital reduction scheme, following approval by shareholders and by the High Court, the Company's entire holding of ordinary shares in Calidus was transferred to the Company's shareholders.

The notes on pages 31 to 56 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

for the year ended 30 September 2020

## 1. Reporting entity

Keras Resources PLC is a company domiciled in England and Wales. The address of the Company's registered office is 27/28 Eastcastle Street, London, W1W 8DH. The Group currently operates as a miner of and explorer for mineral resources.

## 2. Going concern

The Directors have adopted the going concern basis in preparing the Group and Company financial statements. The Group's and Company's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Strategic Report. In addition, note 25 to the Financial Statements includes the Group's policies and processes for managing its financial risk management objectives.

The Group is not required to make further loans to or investments in Falcon Isle Resources LLC, which is forecast to be cash flow positive within the current year. The Nayéga mine in Togo is in a position to commence operations when the exploitation licence is granted. Capital expenditure to expand production and working capital will be primarily provided in the short term by a loan in association with an offtake agreement which has been agreed in principle.

Since the end of the year the Company has raised a further £1,550,000, before costs, by the issue of New Ordinary Shares.

On this basis, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors do not believe that Covid 19 has had a material effect on the Company or its operations other than travel restrictions which restrict the ability of management to visit operations in Togo and the USA. This has been mitigated by increased home working and use of electronic communications. The Directors expect international travel to become easier in the foreseeable future. As such, the Directors continue to adopt the going concern basis of accounting.

## 3. Basis of preparation

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union, and the Companies Act 2006 as applicable to entities reporting in accordance with IFRS.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis unless otherwise stated.

### (c) Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling ('GBP' or '£'), which is the Group's functional currency and is considered by the Directors to be the most appropriate presentation currency to assist the users of the financial statements. All financial information presented in GBP has been rounded to the nearest thousand, except when otherwise indicated.

### (d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS, as adopted by the EU, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



# Notes to the Consolidated Financial Statements

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continued

## 3. Basis of preparation continued

### (d) Use of estimates and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods of the revision if it affects both current and future periods.

Critical estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and/or have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- Carrying value of intangible assets – Notes 4(e)(i) and 15
- Intercompany receivables (Company only) – Note 18
- Carrying value of investment in associate – Note 16
- Fair value of share options and warrants – Note 21

## 4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

### (a) Basis of consolidation

#### (i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

#### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. On disposal of subsidiaries, 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 might mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (iii) Associates

Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost. Loans to associates denominated in US\$ are recognised in sterling in the financial statements at the year end exchange rate.

#### (iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### (v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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**(b) Foreign currency**

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

**(i) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and the fair value adjustments arising on acquisition, are translated to GBP at exchange rates at the reporting date. The income and expenses of foreign operations are translated to GBP at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve except to the extent that the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**(c) Financial instruments****(i) Financial assets**

The Group's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and financial assets at fair value through other comprehensive income in the consolidated statement of financial position.

Trade receivables and intra group balances are initially recognised at fair value. New impairment requirements use an expected credit loss model to recognise an allowance. For receivables a simplified approach to measure expected credit losses during a lifetime expected loss allowance is available and has been adopted by the Group. During this process the probability of non-payment of the receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being reported within the consolidated statement of comprehensive income. On confirmation that the trade and intra group receivable will not be collectable, the gross carrying value of the asset is written off against the provision.

**Financial assets at fair value through other comprehensive income**

These assets are initially measured at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and interest income, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, any related balance within the FVOCI reserve is reclassified to retained earnings.

**(ii) Non-derivative financial liabilities**

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

# Notes to the Consolidated Financial Statements

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continued

## 4. Significant accounting policies continued

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

### (iii) Share capital

#### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

#### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

#### (iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in the statement of comprehensive income over the estimated useful lives of each component.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives of significant items of property, plant and equipment are as follows:

- plant and equipment 10 years
- office equipment 2 years
- computer equipment 2 years
- motor vehicles 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (e) Intangible assets

#### (i) Prospecting and exploration rights

Rights acquired with subsidiaries are recognised at fair value at the date of acquisition. Other rights acquired and evaluation expenditure are recognised at cost.

#### (ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

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**(iii) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

**(iv) Amortisation**

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

- Prospecting and exploration rights - Life of mine based on units of production

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Amortisation is included within administrative expenses in the statement of comprehensive income.

**(f) Impairment**

**(i) Non-derivative financial assets**

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and had an impact on the estimated future cash flows from that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

**Financial assets measured at amortised cost**

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

# Notes to the Consolidated Financial Statements

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continued

## 4. Significant accounting policies continued

### **Financial assets at fair value through other comprehensive income**

Impairment losses on financial assets at FVOCI are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as FVOCI are not reversed through profit or loss.

### **(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Indefinite-lived intangible assets are tested annually for impairment or when there is an indication of impairment. An impairment loss is recognised if the carrying amount of an asset or Cash Generating Unit ('CGU') exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **(g) Employee benefits**

#### **Share-based payments**

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

### **(h) Discontinued operations**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

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Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statements of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

**(i) Revenue**

Revenue from the sale of processed products is recognised when ownership of the product passes to the purchaser in accordance with the relevant sales contract. Product mined and processed in the Republic of Togo is shipped for smelting elsewhere, and ownership is likely to pass when the ship reaches international waters.

It is normal for the price to be based on the metal content and the moisture content of the product as well as the weight. Both are tested prior to shipment to determine the price, but further adjustments may be made when the product is tested once more on arrival. This adjustment is included in the sale price recognised in the financial statements.

**(j) Finance income and finance costs**

Finance income comprises interest income on bank funds. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(k) Taxation**

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

# Notes to the Consolidated Financial Statements

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continued

## 4. Significant accounting policies continued

### (l) Segment reporting

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### (m) Equity reserves

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium.

The share option/warrant reserve is used to recognise the fair value of equity-settled share based payment transactions.

The exchange reserve is used to record exchange differences arising from the translation of foreign subsidiaries into the presentation currency.

The financial assets at FVOCI reserve is used to record unrealised accumulated changes in fair value on financial assets.

## 5. New standards and interpretations

Amendments to the following International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) have been implemented by the Group in the period ended 30 September 2020 and have changed the Group's accounting policies:

IFRS 16 Leases

IFRIC 23 Uncertainties over Income Tax Treatments

IAS 28 (amendments) Long-term interests in Associates and Joint Ventures

Effect of changes in accounting policies:

IFRS 16 replaced existing lease guidance. Leases had the impact of increasing both creditors and fixed assets on the balance sheet by similar amounts that depend on the operating leases that the Group is party to during the year. There has been no material impact to the financial statements on adoption of IFRS 16 or the other standards adopted in the year.

### **Standards, Amendments to published Standards and Interpretations issued but not yet effective**

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

## 6. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

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**(ii) Intangible assets**

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

**(iii) Trade and other receivables**

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when such assets are acquired in a business combination.

**(iv) Share-based payments**

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

**(v) Investments – other**

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. A discount is applied to the value of any Performance shares to reflect the possibility that the milestones for conversion into ordinary shares may not be met.

## 7. Operating segments

The Group considers that it operated during the year in one distinct business area, being that of manganese production and exploration in West Africa. This business area forms the basis of the Group's operating segments. For each segment, the Group's Managing Director (the chief operating decision maker) reviews internal management reports on at least a quarterly basis.

Subsequent to the year end the Group has commenced phosphate mining in Utah, USA, which will comprise a separate operating segment.

Other operations relate to the Group's administrative functions conducted at its head office and by its intermediate holding company together with consolidation adjustments.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment result before tax, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the performance of certain segments relative to other entities that operate within the exploration industry.



# Notes to the Consolidated Financial Statements

continued

## 7. Operating segments continued

### Information about reportable segments

	Manganese £'000	Phosphate £'000	Other operations £'000	Total £'000
<b>2020</b>				
External revenue	–	–	–	–
Interest expense	–	–	–	–
Depreciation, amortisation and impairment	76	–	–	76
Share of associate loss	–	(4)	–	–
(Loss)/profit before tax	(405)	(4)	(833)	(1,242)
Assets	1,011	1,622	842	3,475
Exploration and capital expenditure	1	–	–	1
Liabilities	285	–	182	467
		Manganese/ cobalt £'000	Other operations £'000	Total £'000
<b>2019</b>				
External revenue		–	–	–
Interest expense		–	–	–
Depreciation, amortisation and impairment		183	–	183
(Loss)/profit before tax		134	(605)	(471)
Assets		1,050	10,475	11,525
Exploration and capital expenditure		145	–	145
Liabilities		28	253	281

The Group was awarded exploration licenses during 2017 in West Africa on ground containing previously discovered cobalt and nickel mineralisation. These licences have been impaired in the year to 30 September 2019.

### Information about geographical segments

	West Africa £'000	US £'000	Other £'000	Total £'000
<b>2020</b>				
External revenue	–	–	–	–
Interest expense	–	–	–	–
Depreciation, amortisation and impairment	76	–	76	
Share of associate loss	–	4	–	4
(Loss)/profit before tax	(405)	(4)	(833)	(1,242)
Assets	1,011	1,622	842	3,475
Exploration and capital expenditure	1	–	–	1
Liabilities	285	–	182	467
		West Africa £'000	Other £'000	Total £'000
<b>2019</b>				
External revenue		–	–	–
Interest expense		–	–	–
Depreciation, amortisation and impairment		183	–	183
(Loss)/profit before tax		134	(605)	(471)
Assets		1,050	10,475	11,525
Exploration and capital expenditure		145	–	145
Liabilities		28	253	281

## 8. Surplus on production of bulk sample

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts received for bulk sample	–	1,495
Direct production costs of bulk sample	–	(814)
	–	681

## 9. Expenses

Expenses include:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation and amortisation expense	76	28
Impairment of nickel and cobalt licence	–	155
Costs associated with the capital reduction satisfied by the Calidus share distribution	–	100
Auditor's remuneration		
– Audit fee	23	21
– Tax advisory services	–	20
Foreign exchange differences	4	28

Auditor's remuneration in respect of the Company amounted to £10,000 (2019: £10,000).

## 10. Personnel expenses

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	446	135
Fees	158	149
Equity-settled share-based payments (see note 23)	183	78
	787	362

Fees in respect of the services of D Reeves are payable to a third party, Wilgus Investments (Pty) Limited.

Fees in respect of the services of R Lamming are payable to a third party, Parallel Resources Limited for part of the period.

The average number of employees (including directors) during the period was:

	<b>2020</b>	<b>2019</b>
Directors	3	3
Key management personnel	1	–
Other	3	3
	7	6

# Notes to the Consolidated Financial Statements

continued

## 11. Directors' emoluments

	<b>Executive directors £'000</b>	<b>Non-executive directors £'000</b>	<b>Total £'000</b>
<b>2020</b>			
Wages and salaries (incl. fees)	152	66	218
Compensation payment resulting from SARS cancellation (see note 23)	120	–	120
	272	66	338
	<b>Executive directors £'000</b>	<b>Non-executive directors £'000</b>	<b>Total £'000</b>
<b>2019</b>			
Wages and salaries (incl. fees)	149	47	196
	149	47	196

These amounts are disclosed by director in the Directors' report on page 16.

Emoluments disclosed above include the following amounts payable to the highest paid director:

	<b>2020 £'000</b>	<b>2019 £'000</b>
Emoluments for qualifying services	272	149

### **Key management personnel**

Included in note 10 are emoluments paid to key management personnel in the year which amounted to £71,000 (2019: £nil).

## 12. Finance costs

### **Recognised in loss for period**

	<b>2020 £'000</b>	<b>2019 £'000</b>
Other	3	5
	3	5

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## 13. Taxation

### Current tax

	2020 £'000	2019 £'000
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### Tax recognised in profit or loss

#### Current tax

Current period	–	–
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#### Deferred tax

Origination and reversal of temporary differences	–	–
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### Total tax

	–	–
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### Reconciliation of effective tax rate

	2020 £'000	2019 £'000
Loss before tax (continuing operations)	(1,242)	(471)
Tax using the Company's domestic tax rate of 19.0% (2019: 19.0%)	(236)	(89)
Effects of:		
Expenses not deductible for tax purposes	3	35
Overseas (profits)/losses	93	(15)
Equity-settled share-based payments	12	15
Tax losses carried forward not recognised as a deferred tax asset	128	54
	–	–

None of the components of other comprehensive income have a tax impact.

### Factors that may affect future tax charges

At the year end, the Group had unused tax losses available for offset against suitable future profits of approximately £5,771,000 (2019: £5,097,000). A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

# Notes to the Consolidated Financial Statements

continued

## 14. Property, plant and equipment

Group	Plant and equipment £'000	Office and computer equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
Balance at 1 October 2018	232	31	26	289
Additions	127	–	–	127
Disposals	–	–	(7)	(7)
Effect of movements in exchange rates	1	–	–	1
<b>Balance at 30 September 2019</b>	<b>360</b>	<b>31</b>	<b>19</b>	<b>410</b>
Balance at 1 October 2019	360	31	19	410
Additions	–	–	–	–
Disposals	(39)	(6)	(19)	(64)
Effect of movements in exchange rates	8	–	–	8
<b>Balance at 30 September 2020</b>	<b>329</b>	<b>25</b>	<b>–</b>	<b>354</b>
<b>Depreciation and impairment provisions</b>				
Balance at 1 October 2018	2	29	26	57
Depreciation for the year	27	1	–	28
Depreciation on disposals	–	–	(7)	(7)
Effect of movements in exchange rates	–	–	–	–
<b>Balance at 30 September 2019</b>	<b>29</b>	<b>30</b>	<b>19</b>	<b>78</b>
Balance at 1 October 2019	29	30	19	78
Depreciation for the year	76	–	–	76
Depreciation on disposals	(39)	(6)	(19)	(64)
Effect of movements in exchange rates	1	–	–	1
<b>Balance at 30 September 2020</b>	<b>67</b>	<b>24</b>	<b>–</b>	<b>91</b>
<b>Carrying amounts</b>				
At 30 September 2018	230	2	–	232
At 30 September 2019	331	1	–	332
At 30 September 2020	262	1	–	263

<b>Company</b>	<b>Plant and equipment £'000</b>	<b>Computer equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
Balance at 1 October 2018	230	5	235
Transfers	(230)	–	(230)
<b>Balance at 30 September 2019</b>	<b>–</b>	<b>5</b>	<b>5</b>
Balance at 1 October 2019	–	5	5
Transfers	–	–	–
<b>Balance at 30 September 2020</b>	<b>–</b>	<b>5</b>	<b>5</b>
<b>Depreciation and impairment provisions</b>			
Balance at 1 October 2018	–	5	5
Depreciation for the year	–	–	–
<b>Balance at 30 September 2019</b>	<b>–</b>	<b>5</b>	<b>5</b>
Balance at 1 October 2019	–	5	5
Depreciation for the year	–	–	–
<b>Balance at 30 September 2020</b>	<b>–</b>	<b>5</b>	<b>5</b>
<b>Carrying amounts</b>			
At 30 September 2018	230	–	230
At 30 September 2019	–	–	–
At 30 September 2020	–	–	–

# Notes to the Consolidated Financial Statements

continued

## 15. Intangible assets

	<b>Prospecting and exploration rights £000</b>
<b>Cost</b>	
Balance at 1 October 2018	1,193
Additions	18
Disposals	–
Effect of movement in exchange rates	(5)
<b>Balance at 30 September 2019</b>	<b>1,206</b>
Balance at 1 October 2019	1,206
Additions	1
Disposals	–
Effect of movements in exchange rates	20
<b>Balance at 30 September 2020</b>	<b>1,227</b>
<b>Amortisation and impairment losses</b>	
Balance at 1 October 2018	–
Impairment	155
Amortisation	–
Disposals	–
Effect of movements in exchange rates	–
<b>Balance at 30 September 2019</b>	<b>155</b>
Balance at 1 October 2019	155
Impairment	–
Amortisation	–
Disposals	–
Effect of movements in exchange rates	3
<b>Balance at 30 September 2020</b>	<b>158</b>
<b>Carrying amounts</b>	
Balance at 30 September 2018	1,193
Balance at 30 September 2019	1,051
Balance at 30 September 2020	1,069

The carrying value of the prospecting and exploration rights is supported by the estimated resource and current market values.

## 16. Investments in subsidiaries and associates

Company – subsidiaries	2020 £'000	2019 £'000
<b>Equity investments</b>		
Balance at beginning of period	–	–
Additions	–	–
Disposals	–	–
<b>Balance at 30 September</b>	–	–

	Activity	Country of incorporation	Ownership interest	
			2020	2019
<b>Directly</b>				
Keras West Africa Limited	Investment	United Kingdom	100%	100%
Southern Iron Limited	Investment	Guernsey	100%	100%
<b>Indirectly</b>				
Société Générale des Mines SA	Exploration	Togo	85%	85%
Kamnico SARL	Exploration	Togo	–	100%

Registered offices of subsidiary companies are:

Southern Iron Limited, 1st Floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey  
Société Générale des Mines, Quartier Adidogome Apedokoe 02, BP 20022, Lome, Togo

On 17 January 2020, the Group announced its intention to relinquish its rights to the Kamina Cobalt & Nickel Project and wind down its 100% owned subsidiary, Kamnico SARL. Its immediate parent undertaking, Keras West Africa Limited, has been dissolved. These actions were taken by the Group as it was considered that exploration activity in Togo should be concentrated on expanding its resources on manganese rather than exploring for other metals. The cobalt and nickel licences were fully impaired in the previous year.

Group – associates	2020 £'000	2019 £'000
Accounted for using the equity method		
At 1 October	–	–
Additions – including acquisition costs	1,626	–
Share of loss for the period	(4)	–
At 30 September	1,622	–

Company – associates	2020 £'000	2019 £'000
At 1 October	–	–
Additions – including acquisition costs	1,626	–
Share of loss for the period	(4)	–
At 30 September	1,622	–

	Activity	Country of incorporation	Ownership interest	
			2020	2019
<b>Directly</b>				
Falcon Isle Resources LLC	Mining	USA	40%	–

The interest in Falcon Isle was acquired for nominal consideration under a binding heads of terms dated 28 July 2020. Under this agreement the Company agreed to provide US\$2.5m in loans to Falcon Isle payable in agreed tranches. Falcon Isle is the 100% owner of the Diamond Creek phosphate mine located in Utah (USA) which is a fully permitted, high grade direct shipping ore organic phosphate operating mine.



# Notes to the Consolidated Financial Statements

continued

## 16. Investments in subsidiaries and associates continued

At 30 September 2020 the Company had advanced US\$ 1.9m to Falcon Isle, resulting in an equity interest of 40% and bringing the cost of the investment in the associate to £1,626,000. Subsequent to the year end the Company has advanced the balance of \$0.6m and its equity interest has increased to 51%.

### Summarised financial information for associates

Set out below are the summarised financial information for Falcon Isle Resources, LLC which are accounted for using the equity method.

### Summarised Statement of Financial Position

	<b>2020</b>
	<b>£000</b>
<b>Current</b>	
Cash and cash equivalents	249
Inventory	203
Other current assets	190
Total current assets	642
Trade and other payables	1
Total current liabilities	1
<b>Non-current</b>	
Tangible fixed assets	53
Intangible fixed assets	446
Total non-current assets	509

### Summary of Statement of Comprehensive Income

	<b>2020</b>
	<b>£000</b>
Revenue	141
Cost of sales	(55)
Gross profit	86
Expenses	(97)
Profit before tax	(11)
Tax	–
Post tax profit from continuing activities	(11)
Other comprehensive income	–
Total comprehensive income	(11)

## 17. Other investments

### Group and company

	2020 £'000	2019 £'000
Equity securities – financial assets at fair value through other comprehensive income		
At 1 October	9,923	11,527
Value adjustment recognised in equity	–	(1,604)
Disposal via demerger	(9,923)	–
At 30 September	–	9,923

Equity securities represented ordinary and performance shares in Calidus Resources Limited (“Calidus”), a company listed on the Australian Securities Exchange (“ASX”). These shares have been re-measured to fair value through other comprehensive income. Fair value was the mid-market price of Calidus ordinary shares on the ASX, discounted in the case of performance shares to reflect the possibility that the milestones for conversion to ordinary shares will not be achieved. Under ASX rules, these shares were held in escrow until 22 June 2019. The financial asset was denominated in Australian dollars.

## 18. Loans

### Company - current

	2020 £'000	2019 £'000
Balance at beginning of period	1,379	1,484
Funds advanced to subsidiaries	159	230
Repaid/impaired	(4)	(335)
<b>Balance at 30 September</b>	<b>1,534</b>	<b>1,379</b>

All loans to subsidiaries are currently unsecured and interest free and repayable on demand. All loans are denominated in GBP.

## 19. Trade and other receivables

### Group

	2020 £'000	2019 £'000
Other receivables	71	25
Prepayments	12	10
	83	35

### Company

	2020 £'000	2019 £'000
Other receivables	58	24
Prepayments	12	10
	70	34

Other receivables are stated at their nominal value less allowances for non-recoverability.

The Group and Company's exposure to credit and currency risk is disclosed in note 25.

# Notes to the Consolidated Financial Statements

continued

## 20. Cash and cash equivalents

### Group

	2020 £'000	2019 £'000
Bank balances	438	184
Cash and cash equivalents	438	184

### Company

	2020 £'000	2019 £'000
Bank balances	428	175
Cash and cash equivalents	428	175

There is no material difference between the fair value of cash and cash equivalents and their book value.

## 21. Capital and reserves

### Share capital

	Number of old ordinary shares £0.001 each	
	2020	2019
In issue at beginning of year	2,491,358,439	2,289,133,439
Issued for cash	7,000,000	87,500,000
Issued in settlement of debt	–	114,725,000
Cancelled under capital reduction	(2,498,358,439)	–
In issue at 30 September – fully paid	–	2,491,358,439
	Number of new ordinary shares £0.001 each	
	2020	2019
Resulting from capital reduction	2,498,358,439	–
Issued for cash	1,646,678,326	–
Issued in settlement of debt	720,971,086	–
In issue at 30 September – fully paid	4,866,007,851	–
	Number of deferred shares of £0.004 each	
	2020	2019
In issue at beginning of year	1,193,794,390	1,193,794,390
Cancelled under capital reduction	(1,193,794,390)	–
In issue at 30 September – fully paid	–	1,193,794,390
	Ordinary and deferred share capital	
	2020 £'000	2019 £'000
Balance at beginning of year	7,266	7,064
Share issues	244	202
Deferred shares cancelled	(4,775)	–
Capital reduction	(2,248)	–
<b>Balance at 30 September</b>	<b>487</b>	<b>7,266</b>

All ordinary shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

### Capital reduction

In accordance with a resolution passed at a general meeting held on 14 October 2019 the capital of the Company was reduced. The capital reduction was approved by the High Court at two hearings held on 5 and 19 November 2019 as follows:

- On 5 November 2019 the Company's share premium account was cancelled; and
- On 19 November 2019 the Company's issued Deferred Shares were cancelled; and 0.09p of the capital paid up on each issued ordinary share was cancelled, reducing the nominal value of each ordinary share in issue to 0.01p.

### Issues of ordinary shares

On 12 November 2019, 7,000,000 Old Ordinary Shares each were issued for cash at 0.36p per share.

On 17 January 2020, 73,110,423 New Ordinary Shares were issued to R Lamming at 0.1639p per share in compensation for the loss suffered on cancellation of Share Appreciation rights vested to that date.

On 28 January 2020 206,666,660 New Ordinary Shares were issued for cash at 0.15p per share, and 6,666,660 New Ordinary Shares were issued at 0.15p per share to settle creditors.

On 13 August 2020, 1,191,230,001 New Ordinary Shares were issued and on 25 August 2020, 889,975,668 New Ordinary Shares were issued, all at 0.12p per share. Of these shares;

- 1,440,011,666 were issued for cash,
- 78,739,000 were issued to settle creditors,
- 112,491,001 were issued to settle a finders fee; and
- 449,964,002 were issued to D Reeves and R Lamming, directors of the Company, in consideration of the assignment to the Company of loans totalling \$700,000, previously made by them to Falcon Isle.

### Warrants

	2020		2019	
	Average exercise price	Number	Average exercise price	Number
In issue at beginning of year	0.36p	7,000,000	0.48p	142,257,023
Lapsed in year	–	–	0.5p	(75,714,280)
Lapsed in year	–	–	0.46p	(59,542,743)
Issued in year	0.24p	984,357,334	–	–
Exercised in year	0.36p	(7,000,000)	–	–
In issue at 30 September	0.24p	984,357,334	0.48p	142,257,023

On 25 August 2020 984,357,334 warrants were issued to subscribers for the New Ordinary Shares issued on 13 and 25 August 2020, (other than the shares issued in settlement of the finder's fee, but including shares issued to D Reeves and R Lamming) on the basis of 1 warrant for every 2 shares subscribed. The warrants are exercisable at price of 0.24p at any time up to 31 August 2021.

The weighted average remaining contractual life of the warrants outstanding is 335 days.

# Notes to the Consolidated Financial Statements

continued

## 21. Capital and reserves continued

### Other reserves

#### Share option/warrant reserve

The share option/warrant reserve comprises the cumulative entries made to the consolidated statement of comprehensive income in respect of equity-settled share-based payments as adjusted for share options cancelled.

#### Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### Fair value reserve

The fair value reserve comprised the cumulative net change in the fair value of available-for-sale financial assets until the assets were derecognised or impaired.

## 22. Earnings per share

### Basic and diluted earnings/(loss) per share

The calculation of basic earnings/(loss) per share at 30 September 2020 is based on the following (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares in issue.

#### Loss attributable to ordinary shareholders (£)

	2020	2019
Continuing operations	(1,181,000)	(514,000)
Loss attributable to ordinary shareholders	(1,181,000)	(514,000)

#### Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at beginning of year	2,491,358,439	2,289,133,439
Effect of shares issued	444,668,141	18,837,397
Weighted average number of ordinary shares	2,936,026,580	2,307,970,836

The warrants in issue are considered to be antidilutive and as a result, basic and diluted loss per share are the same.

## 23. Share-based payments

On 28 April 2016, the Company established a Share Appreciation Right Scheme to incentivise Directors and senior executives.

On 12 March 2018, 90,000,000 shares were granted at 0.36p per share with 30,000,000 vesting immediately, 30,000,000 vesting on 12 March 2019 and 30,000,000 vesting on 12 March 2020.

The Black Scholes pricing model was used to calculate the share based payment charge incorporating an annual volatility rate of 60%, expected life of 2.5 years and risk free investment rate of 0.72%. The charge for the year ended 30 September 2019 for these further rights which was included in administrative and exploration expenses amounted to £78,000.

On 17 January 2020, the Company cancelled its existing share appreciation rights (“SAR”) scheme, following the demerger of its holding of Calidus Shares, which resulted in a fundamental change to the underlying value of its assets which was too great to be adjusted under the rules of the scheme. Russell Lamming, a director of the company, held all of the 60,000,000 SARs which had vested prior to the demerger, and which he was requested by the Board not to exercise during the period prior to the approval of the demerger by the High Court. To compensate Mr Lamming for his loss caused by his agreeing not to exercise, calculated to be £119,828, he was allotted 73,110,423 New Ordinary Shares credited as fully paid at the 30-day Volume Weighted Average Price at the close of business on 16 January 2020 of 0.1639 pence per share.

The Company established an Enterprise Management Incentive Scheme to incentivise Directors and senior executives. On 17 January 2020, 120,000,000 options were granted at £0.001639 with 10,000,000 vesting immediately, 30,000,000 vesting on 9 March 2020, 30,000,000 vesting on 17 January 2021, 30,000,000 vesting on 17 January 2022 and 20,000,000 vesting on 17 January 2023. The options lapse if not exercised within 5 years. Of the total, 90,000,000 options were granted to R Lamming, a Director.

The Black Scholes pricing model was used to calculate the share based payment charge incorporating an annual volatility rate of 55%, expected life of between 2 and 5 years and risk free investment rate of between 0.23% and 0.39%. The charge for the year ended 30 September 2020 for these rights which was included in administrative and exploration expenses amounted to £63,000.

## 24. Trade and other payables

### Group

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	104	108
Accrued expenses	228	155
Other payables	135	18
	467	281

### Company

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	21	94
Accrued expenses	97	155
Other payables	64	–
	182	249

There is no material difference between the fair value of trade and other payables and accruals and their book value. The Group’s and Company’s exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

# Notes to the Consolidated Financial Statements

continued

## 25. Financial instruments

### Financial risk management

The Group's operations expose it to a variety of financial risks that include liquidity risk. The Group has in place a risk management programme that seeks to limit the adverse effect of such risks on its financial performance.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

#### Group

	Financial assets at amortised cost	
	Carrying amount	
	2020	2019
	£'000	£'000
Trade and other receivables	67	35
Cash and cash equivalents	438	184
	505	219

#### Company

	Financial assets at amortised cost	
	Carrying amount	
	2020	2019
	£'000	£'000
Loans	2,998	1,379
Trade and other receivables	56	34
Cash and cash equivalents	428	175
	3,482	1,588

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group reviews its facilities regularly to ensure it has adequate funds for operations and expansion plans.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

#### Group 2020

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
<b>Non-derivative financial liabilities</b>				
Trade and other payables	467	(467)	(78)	(389)
	467	(467)	(78)	(389)

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**Group  
2019**

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
<b>Non-derivative financial liabilities</b>				
Trade and other payables	281	(281)	(47)	(234)
	281	(281)	(47)	(234)

**Company  
2020**

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
<b>Non-derivative financial liabilities</b>				
Trade and other payables	182	(182)	(30)	(152)
	182	(182)	(30)	(152)

**Company  
2019**

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
<b>Non-derivative financial liabilities</b>				
Trade and other payables	249	(249)	(42)	(207)
	249	(249)	(42)	(207)

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Currency risk**

The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than GBP. The currencies giving rise to this risk are primarily the CFA Franc and the US dollar.

**Fair values**

The fair values of financial instruments such as trade and other receivables/payables are substantially equivalent to carrying amounts reflected in the balance sheet.

**Capital management**

The Group's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued operations.

The Group considers its capital to be total shareholders' equity which at 30 September 2020 for the Group totalled £3,148,000 (2019: £11,320,000) and for the Company totalled £3,472,000 (2019: £11,262,000).



# Notes to the Consolidated Financial Statements

continued

## 26. Related parties

The Group's related parties include its key management personnel and others as described below.

No guarantees have been given or received and all outstanding balances are usually settled in cash.

On 17 January 2020, the Company cancelled its existing Share Appreciation Rights scheme and R Lamming was compensated for this. On the same day R Lamming was granted options under a new EMI option scheme. Full details can be found in note 23.

Of the remuneration payable to D Reeves, £31,000 remains unpaid as at 30 September 2020 (2019 £7,000).

D Reeves and R Lamming agreed to convert loans of \$700,000, previously made to Falcon Isle and assigned to the Company, into New Ordinary Shares, thus 449,964,002 were issued at 0.12p per share as detailed in note 21. In addition, warrants to subscribe for 224,982,002 New Ordinary Shares at a price 0.24p per share were issued to them.

### Other related party transactions

#### Transactions with Group companies

The Company had the following related party balances from financing activities:

	2020 £'000	2019 £'000
<b>Southern Iron Limited</b>		
– Loans and receivables (interest free)	1,534	1,379

Southern Iron Limited had the following related party balances from financing activities:

#### Société Générale des Mines SA

– Loans and receivables (interest free)	1,694	1,574
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## 27. Subsequent events

### Issues of New Ordinary Shares

On 18 December 2020 the Company raised a total of £550,000 before costs by the issue of 500,000,000 New Ordinary shares at 0.11p per share, of which 400,000,000 were issued immediately and 100,000,000 on 18 January 2021 following a General Meeting to grant increased authority to issue shares.

On 18 January 2021 the Company raised a total of £1,000,000 before costs by the issue of 917,565,217 New Ordinary shares at 0.115p per share, of which 600,000,000 were issued immediately and 317,565,217 on 15 February 2021 following a General Meeting to grant increased authority to issue shares.

### Falcon Isle

Since the end of the year the Company has advanced a further US\$ 600,000 to Falcon Isle and, for nominal consideration, has increased its equity holding from 40% to 51%, so that Falcon Isle is now a subsidiary of the Company. The \$600,000 will be accounted for as an investment.

