

**StratMin Global Resources Plc**

**("StratMin" or the "Company")**

**Final Results for the Year to 31 December 2014**

22<sup>nd</sup> May 2015

StratMin (AIM: STGR), the graphite exploration and production company with assets in Madagascar, today announces its final results for the year ending 31 December 2014.

**Highlights for the Period**

- The Company commenced commercial production of graphite in April 2014 with continuing production throughout the year.
- StratMin signed an Offtake Agreement, for its natural flake graphite product, with one of the world's largest independent processors and merchants of graphite in October 2014.
- Substantial surficial regolith-hosted graphite mineralisation was identified at the Company's Mahefadok prospect in October 2014.
- Revenue for the period increased from £46,000 in 2013 to £153,000 in 2014.

**Post Period Highlights**

- Consistent 94 per cent carbon in graphite production achieved at Loharano in May 2015.
- Production and sales volumes increased consistently in the first quarter of 2015.
- Better than expected preliminary exploration results for the Company's previously unexplored Mahefadok, Mahela and Ambatofafana prospects were achieved.

**Enquiries** For further information please visit [www.stratminglobal.com](http://www.stratminglobal.com) or contact:

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**CHAIRMAN'S STATEMENT**

**YEAR TO 31 DECEMBER 2014**

2014 was a year of transition for Stratmin. The primary objectives were to raise the carbon content of our graphite concentrate to 94%, to sign an off-take agreement with a credible purchaser and to get to cash flow break even.

Although we only managed to achieve one of these three objectives in 2014 (signed off-take agreement), I am pleased to say that we are now on the cusp of reaching all three, having achieved a 94% carbon content in mid-May.

The first half of 2014 was challenging as the market was demanding ever higher graphite carbon content, while prices were eroding. This meant that, with a steady cost of production, the Group incurred a gross loss in its efforts to achieve improved grade. Fortunately prices stabilised in the second half of the year and we were able to identify the changes to our production flow sheet necessary to raise the carbon grade to 94%. This year we anticipate building on all the improvements made to the production cycle so that we can sell our product at increased margins and higher volumes. Once we are satisfied that we have reached the right level of plant optimisation, we will invest in further volume upgrades. We shall also be continuing to identify and prove up the resource on the rest of our license as we are confident that we have only scratched the surface to date.

The political environment in Madagascar has become much less fractious since elections in 2014 ushered in a democratic government that is widely recognised by the international community. The background for business continues to improve as government institutions gradually find their feet and return to normal operations. While operating in Madagascar will always have its challenges due to a paucity of infrastructure and weather issues, we remain confident that we are welcome in our community and poised to enrich it.

I look forward to providing further news as appropriate in the near future and thank you for your continued support.

Laurie Hunter

**Chairman**

21 May 2015

## MANAGING DIRECTOR'S REVIEW

YEAR TO 31 DECEMBER 2014

### Introduction

2014 saw the Company build on the engineering and metallurgical work carried out in 2013. Although there remains more to be done with respect to plant performance, I am happy to report the position of the Company at end of the year was significantly more positive than at the start of the year, both in terms of production outlook and administrative control.

The graphite market stabilised in the second half of the year after seeing the price soften and demand for carbon content increase from 92 to 94% in the early part of 2014. These movements were attributable to an increase in domestic Chinese production which rose in advance of environmental closure orders placed on many smaller Chinese graphite mines. It is interesting to note many of these mines have still not re-opened today. The recent raft of MOU's between junior graphite explorers and Chinese buyers indicate that domestic supply in China is not secure. If this continues, we expect there to be a tightening of prices.

2014 was an important year for Madagascar. In December, it held the first election since 2005. The result is a democratically elected government that is now much more stable. Foreign investment has started to flow inwards as the government takes a more pro-business stance. Much is expected of the current President and his team but this first step is encouraging.

### Review of the year

The main priority of 2014 was rebuilding the plant flow sheet. We did this using data from consultants Marsden Gray, Promet Dadi and SGS as well as the data gathered on the ground by our mine manager Wilhelm Reitz and his team. This allowed us to deliver both major additions and minor adjustments to the plant resulting in a much improved flow sheet that could produce commercial grade graphite at a more consistent rate.

The last quarter of 2014 saw the plant produce consistently on a one shift a day basis. The carbon grades achieved were steady between 88 - 92% carbon throughout the flake size categories. Production has since continued to increase month on month to March where 281 tonnes of 20% moisture graphite was produced. Production volumes will continue to grow in 2015 and I would expect them to be substantially higher by year end 2015 than those reported in March. However this growth will not take place on a linear basis

Grade was the main challenge for the year. Achieving +94% carbon content proved harder than anticipated. Although the larger flakes were easier to beneficiate to the higher carbon percentages, the smaller flakes proved stubborn. This is important as they make up 40% of the end product and are only sold at a profit when over 94% carbon content. Further milling and washing capacity was added but we had to wait until May 2015 to crack the grade puzzle. This was a fantastic result from Wilhelm and his team.

Further work has been done on the deposit over the period. With only 10% of the property having had any exploration work carried out on it, and with the amount of graphite that is visible at surface, initial exploration work was completed to identify two further surface deposits: Mahefadok which consists of a 2kms strike, trenching to a depth of 4.5metres and samples up to 7.8% carbon; and Ambatofafana where outcrop samples of 11% were gathered. With these two new strikes and the knowledge that the existing resource was only calculated to 7metres and is open at depth, the outlook for a resource upgrade is very positive.

Delivering a working plant was not the only accomplishment in 2014. An overhaul and rebuild of the financial and administrative systems was completed. We built a new stock/inventory database, designed import and export processes, implemented management structures throughout the mine and the wider company and ensured that strict top down accounting policies were and remain adhered to. I am pleased to report that your company now has a very efficient administrative back bone, for which I would particularly like to thank our CFO Mirela Gheorghe for her tireless efforts with this.

An often forgotten component of a mining company is sales. One of the year's highlights was the signing of an off take agreement. A component of the agreement is confidentiality covering the counterparty identity and pricing. But the most



important aspect is that our counterparty has a binding agreement to purchase all our product over the 94% carbon benchmark (everything under 94% carbon content is on a first refusal basis). I would like to thank Jeff Marvin for his help in getting this relationship in place.

## **Outlook**

Stratmin has come a long way since the Reverse Take Over and it has been a very difficult journey for all involved, investors particularly. I am happy to report that the vast majority of the residual problems have been identified and fixed. We have demonstrated this across the business but most importantly by the improvement of our production performance. The graphite story remains extremely compelling and Stratmin is in a unique position as a growing producer to take full advantage of the consolidation that the Directors believe must take place in the market over the short and medium term. This is a very exciting time for the Company, and I look forward to seeing that reflected in our share price.

It remains for me to thank our team for their efforts over the period. Any good company is the sum of its constituent parts and 2014 has been noteworthy for how the team at Stratmin and Graph Mada worked together in often challenging situations. Whether it is Shaun Truter who is an essential part of our plant management, Mamison Randrianantenaina who handles the administration at the mine, Johnny Razafimahefa who operates our lab or Jacques Yves Rabenandrasana our in country accountant; and everyone I have not mentioned,

Manoli Yannaghas

**Managing Director**

21 May 2015

## STRATEGIC REPORT

YEAR TO 31 DECEMBER 2014

The directors present their strategic report for the Group for the year ended 31 December 2014.

### REVIEW OF THE BUSINESS

The Group is involved in graphite production and exploration.

On 28 January 2013 Stratmin completed the reverse acquisition of Graphmada Equity Pte. Limited, the parent of Graph Mada SARM, a graphite exploration and development company in Madagascar.

A variety of investments were made in the business during 2013 and 2014, including direct capital expenditure in the plant and the capture of new key staff and consultants to help grow the business.

A further and more detailed review of the Group's business during the year, together with details of its future plans, is set out in the Managing Director's Review, which is incorporated within this report by reference.

### FINANCIAL HIGHLIGHTS

The Group achieved sales this year of £153,000, the operating loss increased from £2,156,000 in 2013 to £2,345,000 resulting in a loss per share of 2.47p (2013: 4.15p), reflecting a move to a cost base required for a producing mine.

### RESULTS AND DIVIDENDS

In 2014, the Group's loss after taxation from continuing operations was £2,384,000 (2013: £2,507,000 loss). The Directors do not recommend the payment of a dividend (2013: £nil).

### KEY PERFORMANCE INDICATORS

The key performance indicators are set out below.

GROUP STATISTICS	2014	2013	Change %
Net asset value	£6,198,000	£5,142,000	+21%
Net asset value per share	5.55p	7.35p	-24%
Closing share price	7.67p	11.88p	-35%
Market capitalisation	£8,634,000	£8,306,000	+4%

### KEY RISKS AND UNCERTAINTIES

Currently the principal risks are two-fold. Firstly, the market price risk affecting the value of the graphite produced which may not provide sufficient profit to enable the business to continue to operate. Secondly, the timing and any delay in getting the graphite plant into full production. The Company has made a significant investment during the operational phase in bringing the plant into production and only once it has achieved a level of production that results in positive cash flow will it be confident of its long term viability.

Details of other financial risks and their management are given in Note 24 to the financial statements.

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of the Group's financial risk management objectives and policies are set out in Note 24 to these financial statements.

Manoli Yannaghas  
Director

21 May 2015

## DIRECTORS' REPORT

YEAR TO 31 DECEMBER 2014

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2014.

### PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company is no longer required to include the Principal Activity and Review of the Business within the Directors Report. This information is now included within the Strategic Report above, as part of the 'Review of the Business' under the Amendment to the Companies Act 2006 of s414c(2a).

### DIRECTORS

The Board comprised the following directors who served throughout the year and up to the date of this report save where disclosed otherwise:

Name	Position	
Manoli Yannaghas	Managing Director	
Laurie Hunter	Chairman	(appointed 12 March 2014)
Gobind Sahney	Non-Executive Chairman	(resigned 12 March 2014)
Jeff Marvin	Non-Executive Director	
Marius Pienaar	Non-Executive Director	
David Premraj	Non-Executive Director	

### DIRECTORS' INTERESTS

The Directors' interests in the share capital of the Company at 31 December 2014, held either directly or through related parties, were as follows:

Name of director	Number of ordinary shares	% of ordinary share capital and Voting Rights
David Premraj	305,556	0.26
Manoli Yannaghas	306,167	0.27
Jeff Marvin	916,667	0.81
Marius Pienaar	18,650,000	16.56
	<b>20,178,390</b>	<b>17.90</b>

Details of the options granted to or held by the Directors are as follows:

Name of director or former director	At 31 December 2013 or date of appointment if later		At 31 December 2014 or date of cessation if earlier		Average Exercise price	Earliest date of exercise	Average Date of expiry
	Options granted	Options lapsed	Options granted	Options lapsed			
Jeff Marvin*	479,040	-	-	-	22.5p	2/03/2012	1/03/2022
Gobind Sahney	479,040	750,000	(479,040)	-	14.0p	12/03/2014	12/03/2017
Manoli Yannaghas**	-	2,250,000	-	-	15.9p	30/09/2014	1/05/2017
Laurie Hunter***	-	2,000,000	-	-	15.7p	12/03/2014	1/09/2017

\*The options granted to Jeff Marvin are exercisable at any time from the earliest date of exercise to the expiry date.

\*\*Of the 7,000,000 options granted during the year, Manoli Yannaghas was issued with 2,250,000 options which have vesting dates of between 12 March 2014 and 30 September 2014. 1,250,000 of these options are dependent on a variety of performance criteria.

\*\*\*Also of those 7,000,000 options granted during the year, Laurie Hunter was issued with 2,000,000 options, 1,000,000 of which vested on 12 March 2015.

The Company has made qualifying third party indemnity provisions for the benefit of the Directors in the form of Directors' and Officers' Liability insurance during the year which remain in force at the date of this report.

## DIRECTORS' REPORT

YEAR TO 31 DECEMBER 2014 (continued)

### DONATIONS

The Group did not make any political or charitable donations during the year (2013: £nil).

### SUPPLIER PAYMENT POLICY

The Group's policy is to abide by the terms of payment agreed with its suppliers. It does not follow any specific code or standard on payment practice. At 31 December 2014, the number of supplier days outstanding was 25 days (2013: 27 days).

### EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group. This is achieved through formal and informal meetings. Equal opportunity is given to all employees regardless of their sex, age, colour, race, religion or ethnic origin.

### SIGNIFICANT SHAREHOLDINGS

On 19 May 2015 the following were interested in 3 per cent. or more of the Company's share capital (including Directors, whose interests are also shown above):

Name of shareholder	Number of ordinary shares	% of ordinary share capital and voting rights
Consolidated Resources Pte Ltd	16,507,763	12.46
Viking Investments Ltd	12,150,000	9.71
Mrs Kesava Padmavathi	8,100,000	6.11
Mrs Caryl Melissa Jane Pienaar	6,500,000	4.90
Ghanshyam Champakal	5,025,000	3.79

### POST YEAR END EVENTS

On 23 January 2015 the Company issued 945,043 new ordinary shares of 4p each to certain directors, consultants and contractors of the Company in lieu of unpaid salary and fees and to satisfy certain other existing commitments.

On 26 January 2015, the Company completed the placing of 18,947,369 new ordinary shares of 4p each at a price 4.75p each, raising in aggregate gross proceeds of approximately £900,000.

As part of the placing on 26 January 2015, the Company issued warrants to subscribe for one new Ordinary share for every two Placing shares, being 9,473,682 warrants in total, each exercisable at 8p per Ordinary share at any time before 23 January 2016.

### GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources to continue in operation or existence for the foreseeable future thus we continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in note 4 of the financial statements.

### DISCLOSURE OF INFORMATION TO THE AUDITORS

In the case of each of the persons who are directors of the Company at the date when this report is approved:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each of the directors has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the auditors are aware of the information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

## **DIRECTORS' REPORT**

**YEAR TO 31 DECEMBER 2014 (continued)**

### **AUDITOR**

Welbeck Associates have expressed their willingness to continue in office as auditor and it is expected that a resolution to reappoint them will be proposed at the next annual general meeting.

### **CORPORATE GOVERNANCE**

The requirements of the UK Corporate Governance Code are not mandatory for companies traded on AIM. The Directors recognise the value of the Quoted Companies Alliance Corporate Governance Code for Small and Mid-sized Quoted Companies, to the extent that they consider it appropriate and having regard to the size, current stage of development and resources of the Group. While under the AIM Rules full compliance is not required, the Directors believe that the Company applies the recommendations in so far as it is appropriate for a Company of its size.

### **BOARD OF DIRECTORS**

The Company supports the concept of an effective Board leading and controlling the Company. The Board of Directors is responsible for approving Company policy and strategy. It meets regularly and has a schedule of matters specifically reserved to it for decision. All Directors have access to advice from independent professionals at the Company's expense. Training is available for new and existing Directors as necessary.

The Board consists of one Managing director, Manoli Yannaghas, the Chairman, Laurie Hunter and three Non-Executive directors, Jeff Marvin, David Premraj and Marius Pienaar.

Matters which would normally be referred to appointed committees, such as the AIM Compliance committee, are dealt with by the full Board.

### **AUDIT COMMITTEE**

The Audit Committee comprises Laurie Hunter (Chairman), Jeff Marvin and David Premraj. The Committee meets at least twice a year and is responsible for ensuring the financial performance of the Group is properly reported on and monitored. It liaises with the auditor and reviews the reports from the auditor relating to the accounts.

### **REMUNERATION COMMITTEE**

The Remuneration Committee comprises Laurie Hunter (Chairman), Jeff Marvin and David Premraj. The Committee meets at least twice a year and is responsible for reviewing the performance of Executive Directors and sets the scale and structure of their remuneration on the basis of their service agreements, with due regard to the interests of the shareholders and the performance of the Group.

### **COMMUNICATIONS WITH SHAREHOLDERS**

Communications with shareholders are given a high priority by the management. In addition to the publication of an annual report and an interim report, there is regular dialogue with shareholders and analysts. The Annual General Meeting is viewed as a forum for communicating with shareholders, particularly private investors. Shareholders may question the Managing Director and other members of the Board at the Annual General Meeting.

### **INTERNAL CONTROL**

The Directors acknowledge they are responsible for the Group's system of internal control and for reviewing the effectiveness of these systems. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of the Group failing to achieve its strategic objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has well established procedures which are considered adequate given the size of the business.

### **AUDITORS**

The Board as a whole considers the appointment of external auditors, including their independence, specifically including the nature and scope of non-audit services provided.



## **DIRECTORS' REPORT**

**YEAR TO 31 DECEMBER 2014 (continued)**

### **REMUNERATION**

The remuneration of the directors has been fixed by the Board as a whole. The Board seeks to provide appropriate reward for the skill and time commitment required so as to retain the right calibre of director at a cost to the Company which reflects current market rates.

Details of directors' fees and of payments made for professional services rendered are set out in Note 8 to the financial statements and details of the directors' share options are set out in the Directors' Report.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Details of the Group's financial risk management objectives and policies are set out in Note 24 to these financial statements.

**By order of the Board on 21 May 2015**

**Manoli Yannaghas**  
**Director**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have also elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU. 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**By order of the Board**

**Manoli Yannaghas**

Director

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STRATMIN GLOBAL RESOURCES PLC**

We have audited the financial statements of Stratmin Global Resources plc for the year ended 31 December 2014 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Parent Company statements of changes in equity, the Group and Parent Company statements of financial position, the Group and Parent Company statements of cash flows, and the related notes. The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As explained more fully in the statement of directors' responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **OPINION**

#### ***Emphasis of Matter – Going Concern***

In forming our opinion on the financial statements, which is not modified, we draw your attention to the disclosures made in note 4 to the financial statements concerning the Company's ability to continue as a going concern.

These conditions, along with other matters explained in note 4 to the financial statements, indicate the existence of uncertainty which may cast doubt about the ability of the Group and Company to continue as a going concern. However, the directors have plans to manage the cash flows of the Company to enable it to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STRATMIN GLOBAL RESOURCES PLC (continued)

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where 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.

**Jonathan Bradley Hoare** (Senior statutory auditor)  
for and on behalf of Welbeck Associates  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

21 May 2015

**GROUP INCOME STATEMENT**  
YEAR TO 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
<b>Continuing operations</b>			
Revenue		153	46
Cost of sales		(185)	(37)
<b>Gross (loss)/profit</b>		<b>(32)</b>	<b>9</b>
Administrative expenses		(2,298)	(2,061)
Other operating expenses	9	(15)	(104)
<b>Operating loss</b>	6	<b>(2,345)</b>	<b>(2,156)</b>
Finance costs	10	(35)	(351)
<b>Loss before tax</b>		<b>(2,380)</b>	<b>(2,507)</b>
Tax	11	(4)	-
<b>Loss for the year</b>		<b>(2,384)</b>	<b>(2,507)</b>
<b>Loss attributable to owners of the parent company</b>		<b>(2,384)</b>	<b>(2,507)</b>
<b>Earnings per share attributable to owners of the parent company</b>			
From continuing operations	12		
Basic and diluted(pence)	12	(2.47)	(4.15)

The accounting policies and notes are an integral part of these financial statements.

**GROUP STATEMENT OF COMPREHENSIVE INCOME**  
 YEAR TO 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
Loss for the year		(2,384)	(2,507)
<b>Other comprehensive income:</b>			
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translation of foreign operations		(49)	(8)
Market value adjustment to investments	16	(20)	(12)
Other comprehensive income/(expense) for the period		(69)	(20)
Total comprehensive loss for the year attributable to equity holders of the parent		(2,453)	(2,527)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company profit and loss account. The loss for the parent company for the year was £1,243,000 (2013: £1,959,000).

The accounting policies and notes are an integral part of these financial statements.

## GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	GROUP		COMPANY	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Non-Current assets</b>					
Goodwill	13	5,012	5,012	-	-
Property, plant and equipment	14	1,230	804	3	-
Investment in subsidiaries	15	-	-	26,469	26,469
Available for sale investments	16	6	26	6	26
Loans to group undertakings	15	-	-	2,286	1,227
		<b>6,248</b>	<b>5,842</b>	<b>28,764</b>	<b>27,722</b>
<b>Current assets</b>					
Inventories	17	242	228	-	-
Trade and other receivables	18	357	190	1,116	539
Cash and cash equivalents	19	91	420	79	350
		<b>690</b>	<b>838</b>	<b>1,195</b>	<b>889</b>
<b>Current liabilities</b>					
Trade and other payables	20	382	663	271	562
Short term borrowings	21	226	847	226	847
		<b>608</b>	<b>1,510</b>	<b>497</b>	<b>1,409</b>
<b>Non-Current liabilities</b>					
Decommissioning obligation	28	132	28	-	-
<b>Net assets/(liabilities)</b>		<b>6,198</b>	<b>5,142</b>	<b>29,462</b>	<b>27,202</b>
<b>Equity</b>					
Share capital	26	4,505	2,797	4,505	2,797
Share premium account	26	31,771	30,167	31,771	30,167
Merger reserve		23,460	23,460	23,460	23,460
Reverse acquisition reserve	23	(48,478)	(48,478)	-	-
Investment reserve		(32)	(12)	(699)	(679)
Other reserves		293	145	350	153
Retained earnings		(5,321)	(2,937)	(29,925)	(28,696)
<b>Total equity</b>		<b>6,198</b>	<b>5,142</b>	<b>29,462</b>	<b>27,202</b>

These financial statements were approved by the Board of Directors on 21 May 2015.

Signed on behalf of the Board by:

Laurie Hunter  
Director

Manoli Yannaghas  
Director

Company number: 05173250

The accounting policies and notes are an integral part of these financial statements



## GROUP STATEMENT OF CHANGES IN EQUITY

YEAR TO 31 DECEMBER 2014

	Share capital	Share Premium	Merger reserve	Reverse acquisition reserve	Investment reserves	Other reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2013</b>	<b>2,040</b>	<b>804</b>	-	<b>(2,039)</b>	-	-	<b>(430)</b>	<b>375</b>
Total comprehensive income for the period	-	-	-	-	(12)	(8)	(2,507)	<b>(2,527)</b>
Adjustment for reverse acquisition	363	27,356	23,460	(46,439)	-	-	-	<b>4,740</b>
Net proceeds of share issues	394	2,127	-	-	-	-	-	<b>2,521</b>
Share issue costs	-	(120)	-	-	-	-	-	<b>(120)</b>
Issuance of warrants in the period	-	-	-	-	-	153	-	<b>153</b>
<b>Balance at 31 December 2013</b>	<b>2,797</b>	<b>30,167</b>	<b>23,460</b>	<b>(48,478)</b>	<b>(12)</b>	<b>145</b>	<b>(2,937)</b>	<b>5,142</b>
Total comprehensive income for the period	-	-	-	-	(20)	(49)	(2,384)	<b>(2,453)</b>
Net proceeds of share issues	1,708	1,862	-	-	-	35	-	<b>3,605</b>
Share issue costs	-	(258)	-	-	-	53	-	<b>(205)</b>
Share based payment costs	-	-	-	-	-	109	-	<b>109</b>
<b>Balance at 31 December 2014</b>	<b>4,505</b>	<b>31,771</b>	<b>23,460</b>	<b>(48,478)</b>	<b>(32)</b>	<b>293</b>	<b>(5,321)</b>	<b>6,198</b>

The Company completed in 2013 the acquisition of Graphmada Equity Pte. Limited, a graphite mining business, based in Madagascar. The consideration for the acquisition was £25.5 million satisfied through the issue of 51,000,000 new ordinary shares.

The Merger reserve includes a balance relating to when the Company acquired the entire issued share capital of Direct Excellence Limited (previously known as Interactive Prospect Targeting Limited) pursuant to a share for share exchange on 1 December 2004.

The accounting policies and notes are an integral part of these financial statements.





**COMPANY STATEMENT OF CHANGES IN EQUITY**  
YEAR TO 31 DECEMBER 2014

	Share capital £'000	Share Premium £'000	Merger Reserve £'000	Investment reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 January 2013</b>	<b>362</b>	<b>28,170</b>	-	<b>(667)</b>	-	<b>(26,737)</b>	<b>1,128</b>
Total comprehensive income for the year	-	-	-	(12)	-	(1,959)	(1,971)
Acquisition of Graphmada	2,040	-	23,460	-	-	-	<b>25,500</b>
Net proceeds of share issues	395	1,997	-	-	-	-	<b>2,392</b>
Issue of warrants	-	-	-	-	153	-	<b>153</b>
<b>Balance at 31 December 2013</b>	<b>2,797</b>	<b>30,167</b>	<b>23,460</b>	<b>(679)</b>	<b>153</b>	<b>(28,696)</b>	<b>27,202</b>
Total comprehensive expense for the year	-	-	-	(20)	-	(1,229)	(1,249)
Issuance of warrants in the period	-	-	-	-	-	-	-
Net proceeds of share issues	1,708	1,862	-	-	35	-	<b>3,605</b>
Share issue costs	-	(258)	-	-	53	-	<b>(205)</b>
Share based payment costs	-	-	-	-	109	-	<b>109</b>
<b>Balance at 31 December 2014</b>	<b>4,505</b>	<b>31,771</b>	<b>23,460</b>	<b>(699)</b>	<b>350</b>	<b>(29,925)</b>	<b>29,462</b>

The other reserve includes charge to the warrant reserve for the year for warrants issued of £88,000 (2013: £153,000). The balance on the Foreign exchange reserve at the end of the year is £49,000 (2013: £nil)

The accounting policies and notes are an integral part of these financial statements.

## GROUP AND COMPANY STATEMENTS OF CASH FLOWS

YEAR TO 31 DECEMBER 2014

	GROUP		COMPANY	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>OPERATING ACTIVITIES</b>				
Loss for the year before taxation	<b>(2,380)</b>	(2,507)	<b>(1,229)</b>	(1,959)
Adjusted for:				
Finance expense	<b>35</b>	351	<b>35</b>	351
Depreciation	<b>58</b>	75	<b>1</b>	-
Share based payment charge	<b>109</b>	-	<b>109</b>	-
Shares issued in settlement of fees	<b>30</b>	207	<b>30</b>	207
Loss on disposal of property, plant and equipment	<b>36</b>	44	-	-
Loss on disposal of investments	-	-	-	-
Operating cash flows before movements in working capital	<b>(2,112)</b>	(1,830)	<b>(1,054)</b>	(1,401)
Increase in inventory	<b>(14)</b>	(159)	-	-
(Increase)/Decrease in trade and other receivables	<b>(167)</b>	(126)	<b>(16)</b>	26
Increase/(Decrease) in trade and other payables	<b>(6)</b>	348	<b>(17)</b>	342
Net cash used in operations	<b>(2,299)</b>	(1,767)	<b>(1,087)</b>	(1,033)
Tax paid	<b>(4)</b>	-	-	-
Net cash used in operating activities	<b>(2,303)</b>	(1,767)	<b>(1,087)</b>	(1,033)
<b>INVESTING ACTIVITIES</b>				
Purchases of available for sale investments	-	-	-	-
Purchase of property, plant and equipment	<b>(416)</b>	(626)	<b>(3)</b>	-
Loans to associated companies	-	-	<b>(1,620)</b>	(1,614)
Acquisition of subsidiary	-	(51)	-	(51)
Net cash used in investing activities	<b>(416)</b>	(677)	<b>(1,623)</b>	(1,665)
<b>FINANCING ACTIVITIES</b>				
Net proceeds from share issues	<b>3,095</b>	2,185	<b>3,095</b>	2,185
Short term borrowings	<b>(621)</b>	750	<b>(621)</b>	750
Interest paid	<b>(35)</b>	(67)	<b>(35)</b>	(67)
Net cash used in financing activities	<b>2,439</b>	2,868	<b>2,439</b>	2,868
Net (decrease)/increase in cash and cash equivalents	<b>(280)</b>	424	<b>(271)</b>	170
Cash and cash equivalents at beginning of year	<b>420</b>	4	<b>350</b>	180
Effect of foreign exchange rate changes	<b>(49)</b>	(8)	-	-
Cash and cash equivalents at end of year	<b>91</b>	420	<b>79</b>	350

The accounting policies and notes are an integral part of these financial statements.

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## YEAR TO 31 DECEMBER 2014

### 1 GENERAL INFORMATION

StratMin Global Resources Plc is a company incorporated in the United Kingdom under the Companies Act 2006. The nature of the Group's operations and its principal activities are set out in the Managing Director's Review, the Strategic Report and the Directors' Report on pages 3, 5 and 6.

### 2 STATEMENT OF COMPLIANCE

The financial statements comply with International Financial Reporting Standards as adopted by the European Union. At the date of authorisation of these financial statements, the following Standards and Interpretations affecting the Group, which have not been applied in these financial statements, were in issue, but not yet effective (and in some cases had not been adopted by the EU):

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 11 (amendments) Accounting for Acquisitions of Interests in Joint Operations
- IAS 16 and IAS 38 (amendments) Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 19 (amendments) Defined Benefit Plans: Employee Contributions
- IAS 27 (amendments) Equity Method in Separate Financial Statements
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRSs: 2010-2012 Amendments to: IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets
- Annual Improvements to IFRSs: 2011-2013 Amendments to: IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property
- Annual Improvements to IFRSs: 2012-2014 Cycle Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

The Directors anticipate that the adoption of the above Standards and Interpretations in future periods will have little or no impact on the financial statements of the Group when the relevant Standards come into effect for future reporting periods.

### 3 ACCOUNTING POLICIES

The principal accounting policies adopted and applied in the preparation of the Group and Company Financial statements are set out below.

These have been consistently applied to all the years presented unless otherwise stated:

#### BASIS OF ACCOUNTING

The financial statements of Stratmin Global Resources plc (the "Company") and its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union ("EU") applied in accordance with the provisions of the Companies Act 2006.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the International Financial Standards Interpretations Committee ("IFRS IC") and there is an ongoing process of review and endorsement by the European Commission. The accounts have been prepared on the basis of the recognition and measurement principles of IFRS that were applicable at 31 December 2013.

### 3 ACCOUNTING POLICIES (continued)

#### GOING CONCERN

Any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events which are inherently uncertain. The ability of the Group to carry out its planned business objectives is dependent on its continuing ability to raise adequate financing from equity investors and/or the achievement of profitable operations.

Nevertheless, at the time of approving these Financial Statements and after making due enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

#### BASIS OF CONSOLIDATION

The Group's consolidated financial statements incorporate the financial statements of StratMin Global Resources Plc (the "Company") and entities controlled by the Company (its subsidiaries). Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### BUSINESS COMBINATIONS

The acquisition of subsidiaries is accounted for using the acquisition method under IFRS 3. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities exceed the cost of the business combination, the excess is recognised immediately in the income statement.

In addition in 2013 the acquisition of a subsidiary was accounted for as a reverse acquisition as detailed in Note 22.

#### REVENUE RECOGNITION

The Group's Revenue is predominantly generated from the sale of Graphite all of which is governed by an Off-take agreement signed in 2014. The agreement is with an external third party, the terms of which are subject to a confidentiality agreement. Revenue is recognised net of any sales taxes and discounts. Customers are invoiced on an Free On Board basis (FOB), Meaning ownership transfers to the customer following clearance of customs at the port of departure.

### 3 ACCOUNTING POLICIES (continued)

#### AVAILABLE FOR SALE INVESTMENTS

Investments are initially measured at fair value plus directly attributable incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IAS 39. This is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

Investments are recognised as available-for-sale financial assets. Gains and losses on measurement are recognised in other comprehensive income except for impairment losses and foreign exchange gains and losses on monetary items denominated in a foreign currency, until the assets are derecognised, at which time the cumulative gains and losses previously recognised in other comprehensive income are recognised in the income statement.

The Group assesses at each year end date whether there is any objective evidence that a financial asset or group of financial assets classified as available-for-sale has been impaired. An impairment loss is recognised if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset. A significant or prolonged decline in the fair value of a security below its cost shall be considered in determining whether the asset is impaired.

When a decline in the fair value of a financial asset classified as available-for-sale has been previously recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss is removed from other comprehensive income and recognised in the income statement. The loss is measured as the difference between the cost of the financial asset and its current fair value less any previous impairment.

#### FOREIGN CURRENCIES

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each group company are expressed in Pounds Sterling, which is the functional currency of the Company, and the presentation currency for the Group financial statements.

In preparing the financial statement of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each year end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the year end date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting Group financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the year end date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### 3 ACCOUNTING POLICIES (continued)

#### TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

#### GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition and is included as a non-current asset.

Goodwill is tested annually, or more regularly should the need arise, for impairment and is carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

In accordance with IAS 36 the Group values Goodwill at the lower of its carrying value or its recoverable amount, where the recoverable amount is the higher of the value if sold and its value in use. In addition IAS38 requires intangible assets with finite useful lives to follow the same impairment testing as Goodwill including the use of value in use calculations.

#### IMPAIRMENT OF PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each financial year end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

### 3 ACCOUNTING POLICIES (continued)

#### IMPAIRMENT OF PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS EXCLUDING GOODWILL (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and the impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### PROPERTY, PLANT AND EQUIPMENT

Property, Plant and equipment are recorded at cost, less depreciation, less any amount adjustments for impairment, if any.

Significant improvements are capitalised, provided they qualify for recognition as assets. The costs of maintenance, repairs and minor improvements are expensed when incurred.

Tangible assets retired or withdrawn from service are removed from the balance sheet together with the related accumulated depreciation. Any profit or loss resulting from such an operation is included in the income statement.

Mining properties (included within Plant & Equipment, Fixtures & Fittings, Buildings and Motor Vehicles) are depreciated using the unit of production method under IAS 16 based on their total useful economic life either by number of tonnes produced or hours available in use. In the units of production method, depreciation is charged according to the actual usage of the asset. Therefore a higher depreciation is charged at times of increased activity and lower depreciation when the plant is either yet to reach full production or idle for the entire period. The Directors have applied this method as they believe it to be a much more accurate technique is estimated the current fair value of their mining assets.

Other tangible and intangible assets are depreciated on straight-line method based on the estimated useful lives from the time they are put into operations, so that the cost diminished over the lifetime of consideration to estimated residual value as follows:

- Other Fixtures & Fittings - Over 5 years
- Other Buildings - Between 5 and 10 years
- Other Motor Vehicles - Over 5 years

#### DECOMMISSIONING, SITE REHABILITATION AND ENVIRONMENTAL COSTS

Group companies are required to restore mine and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the Group's environmental policies. The net present value of estimated future rehabilitation costs is provided for in the financial statements and capitalised within Property, plant & equipment.

Under IAS 37 the present obligation as a result of a past event criteria means that only infrastructure currently in place will result in a provision. Thus the liability excludes decommissioning costs of facilities yet to be installed.

The costs of on-going programmes to prevent and control pollution and to rehabilitate the environment are charged to the Income statement as incurred.

### 3 ACCOUNTING POLICIES (continued)

#### INVENTORY

Inventories are stated at the lower of cost and net realisable value.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using FIFO method. This method assumes that every product out of stock product cost will be determined on the basis of the earliest items purchased or produced.

Net realisable value is based on estimated selling price in the ordinary course of business less any costs of completion and selling expenses.

Inventory items are initially valued at cost of acquisition, cost of production or entry price currency converted at the exchange rate in effect on the date of reception of goods plus transportation at the rate in force on customs import declaration ("DVI"), plus customs duties, customs fees and transportation expenses, net of any subsequent impairment or provision.

The Directors review on a monthly basis for any damaged, slow moving or obsolete items, where impairment has been incurred and thus fair value adjustments are applied with the amount recognised in the income statement.

#### TRADE RECEIVABLES, LOANS AND OTHER RECEIVABLES

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified under 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Other receivables, that do not carry any interest, are measured at their nominal value as reduced by any appropriate allowances for irrecoverable amounts.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### FINANCIAL LIABILITIES

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

There were no financial liabilities 'at FVTPL' during the current, or preceding, period.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### OTHER FINANCIAL LIABILITIES, BANK AND SHORT TERM BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Other short term borrowings being intercompany loans and unsecured convertible loan notes issued in the year are recognised at amortised cost net of any financing or arrangement fees.

#### TRADE PAYABLES

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



### 3 ACCOUNTING POLICIES (continued)

#### EQUITY INSTRUMENTS INCLUDING SHARE CAPITAL

Equity instruments issued by the Company are recorded at the proceeds received, net of incremental costs attributable to the issue of new shares.

An equity instrument is any contract that evidences a residual interest in the assets of a company after deducting all of its liabilities. Equity instruments issued by Stratmin Global Resources plc are recorded at the proceeds received net of direct issue costs.

Share capital represents the amount subscribed for shares at nominal value.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits. Any bonus issues are also deducted from share premium.

The merger reserve represents the premium on the shares issued less the nominal value of the shares, being the difference between the fair value of the consideration and the nominal value of the shares.

The reverse acquisition reserve arises from the acquisition of Graphmada Equity Pte. Limited by the Company and represents the total amount by which the fair value of the shares issued in respect of the acquisition exceed their total nominal value.

The investment reserve represents the difference between the purchase costs of the available for sale investments less any impairment charge and the market or fair value of those investments at the accounting date.

The warrant reserve represents the fair value, calculated at the date of grant, of warrants unexercised at the balance sheet date.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

#### SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

The Group operates a number of equity-settled share-based payment schemes under which share options are issued to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

#### REVERSE ACQUISITION

The acquisition of Graphmada Equity Pte. Limited ("GME") on 28 January 2013 was accounted for using the reverse acquisition method. The following accounting treatment was applied in respect of the reverse acquisition:

- The assets and liabilities of the legal subsidiary were recognised and measured in the consolidated financial statements at their pre-combination carrying amounts without restatement to fair value;
- The identifiable assets and liabilities of the legal parent (the accounting acquiree) are recognised in accordance with IFRS 3 at the acquisition date. Goodwill is recognised in accordance with IFRS 3;
- The retained earnings and other equity balances recognised in the consolidated financial statements are those of the legal subsidiary (the accounting acquirer) immediately before the business combination.

### 3 ACCOUNTING POLICIES (continued)

#### REVERSE ACQUISITION (continued)

The amount recognised as issued equity instruments in the consolidated financial statements is determined by adding the fair value of the legal parent (which is based on the number of equity interests deemed to have been issued by the legal subsidiary) determined in accordance with IFRS 3 to the legal subsidiary's issued equity immediately before the business combination. However, the equity structure (that is, the number and type of equity instruments issued) shown in the consolidated financial statements reflects the legal parent's equity structure, including the equity instruments issued by the legal parent to effect the combination. The equity structure of the legal subsidiary (accounting acquirer) is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares issued by the legal parent (the accounting acquiree) in the reverse acquisition.

### 4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATIONS

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period. Judgements and estimates that may affect future periods are as follows:

#### GOING CONCERN

The Group's activities generated a small revenue £153,000 (2013: £46,000), incurred a loss of £2,384,000 during the year (2013: £2,507,000 loss), had a cash balance of £91,000 as at 31 December 2014, and despite the recent improvements in volume of production and grade, was yet to reach a level of production at the mine-site that would generate a positive cash flow as at the date of signing these financial statements.

However, as disclosed in Note 29, on 26 January 2015 the Company raised gross proceeds of £900,000 by way of an equity placing, approved at a General Meeting on 11 February 2015.

So, after making enquiries, the Directors have formed a judgement that there is a reasonable expectation that the Company can secure further adequate resources when needed, to continue in operational existence for the foreseeable future and that adequate arrangements will be in place to enable the settlement of their financial commitments.

For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. Whilst there are inherent uncertainties in relation to future events, and therefore no certainty over the outcome of the matters described, the Directors consider that, based upon financial projections and dependent on the success of their efforts to complete these activities, the Company will be a going concern for the next twelve months. If it is not possible for the Directors to realise their plans, over which there is significant uncertainty, the carrying value of the assets of the company is likely to be impaired.

#### SHARE BASED PAYMENTS

The calculation of the fair value of equity-settled share based awards and the resulting charge to the statement of comprehensive income requires assumptions to be made regarding future events and market conditions. These assumptions include the future volatility of the Group's share price. These assumptions are then applied to a recognised valuation model in order to calculate the fair value of the awards. Details of these assumptions are set out in note 27.

#### DECOMMISSIONING OBLIGATIONS

The Directors calculated the net present value of estimated future rehabilitation costs based on the Plant & equipment and Buildings & infrastructure currently in place. The discount factor applied was based on the current cost of capital. There is an expectation for future infrastructure costs to be incurred as the plant expands, or a second plant to be installed, but these have not been recognised as these upgrades have yet to be installed.

## 4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATIONS (continued)

### FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group holds investments that have been designated as available for sale on initial recognition. Where practicable the Group determines the fair value of these financial instruments that are not quoted (Level 3), using the most recent bid price at which a transaction has been carried out. These techniques are significantly affected by certain key assumptions, such as market liquidity. Other valuation methodologies such as discounted cash flow analysis assess estimates of future cash flows and it is important to recognise that in that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

## 5 SEGMENTAL INFORMATION

A segment is a distinguishable component of the Group or Company's activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

As the chief operating decision maker reviews financial information for and makes decisions about the Group's activities as a whole, the directors have identified a single operating segment, that of trading in graphite. The directors consider that it would not be appropriate to disclose any geographical analysis of the Company's activities at this point in time, given the current activity and the sensitive nature of the Off-take agreement signed during the year. Although the Directors can confirm that all Revenue and Cost of sales relate to the mining activity in Madagascar.

## 6 OPERATING LOSS

	2014 £'000	2013 £'000
Operating loss is stated after charging:		
Staff costs as per Note 8 below	1,021	797
Depreciation of property, plant and equipment	107	75
Loss on disposal of property, plant and equipment	63	44
Cost of inventories recognised as an expense	14	37
Write downs of VAT receivable	11	-
Write downs of inventories recognised as an expense	15	14
Net foreign exchange (gain)/loss	(48)	60

## 7 AUDITORS' REMUNERATION

The analysis of auditors' remuneration is as follows:

	2014 £'000	2013 £'000
Fees payable to the Group's auditors for the audit of the Group's annual accounts	45	45
Total audit fees	45	45
Fees payable to the Group auditor and their associates for other services to the Group:		
- Tax services	4	4
	49	49

## 8 STAFF COSTS

The average monthly number of employees (including executive directors) for the continuing operations was:

	<b>2014</b>	2013
	<b>No.</b>	No.
Group total staff	<b>97</b>	70

  

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Wages and salaries	<b>876</b>	766
Social security costs	<b>36</b>	31
Share based payment expense	<b>109</b>	-
	<b>1,021</b>	797

Directors' emoluments were as follows:

	2014	2014	2014	<b>2014</b>	2013
	Directors	Social security	Consultancy	<b>Total</b>	Total
	fees		payments		
	£'000	£'000	£'000	£'000	£'000
Laurie Hunter	64	-	-	<b>64</b>	-
Gobind Sahney	65	-	-	<b>65</b>	110
Manoli Yannaghas	205	9	-	<b>214</b>	172
Jeff Marvin	30	-	-	<b>30</b>	98
David Premraj	30	-	-	<b>30</b>	23
Marius Pienaar	30	-	3	<b>33</b>	62
	<b>424</b>	<b>9</b>	<b>3</b>	<b>436</b>	465

Included in Manoli Yannaghas director fees is an amount of £13,389 that was settled by way of the issue of 334,727 ordinary shares of 4p each in the Company on 23 January 2015.

## 9 OTHER OPERATING EXPENSE

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Loss on disposal of property, plant and equipment	<b>63</b>	44
(Gain)/loss on foreign currency transactions	<b>(48)</b>	60
	<b>15</b>	104

## 10 FINANCE COSTS

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Charge in relation to the issuance of warrants	-	153
Short term loan finance costs	<b>35</b>	131
Interest on convertible loan notes	-	67
	<b>35</b>	351

## 11 TAXATION

There is no UK tax charge/credit in 2014 or 2013.

The UK corporation tax rate applicable for 2014 is 23.5% (2013: 23.5%).

Reconciliation of tax charge:

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Loss on continuing operations before tax	<b>(2,380)</b>	(2,507)
Tax at the UK corporation tax rate of 21.5% (2013: 23.5%)	<b>512</b>	589
Tax at the Singapore corporation tax rate of 17%	-	-
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit:	-	-
Foreign taxes payable	<b>(4)</b>	-
Unutilised tax losses carried forward	<b>(512)</b>	(589)
Tax charge for period	<b>(4)</b>	-

The total taxation charge in future periods will be affected by any changes to the corporation tax rates in force in the countries in which the Group operates.

## 12 EARNINGS PER SHARE

The basic earnings per share is based on the profit/(loss) for the year divided by the weighted average number of shares in issue during the year. The weighted average number of ordinary shares for the year ended 31 December 2014 assumes that all shares have been included in the computation based on the weighted average number of days since issue.

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Loss attributable to owners of the Group:		
Loss from continuing operations	<b>(2,384)</b>	(2,507)
Loss for the year attributable to owners of the Group	<b>(2,384)</b>	(2,507)

Weighted average number of ordinary shares in issue for basic and fully diluted earnings\*

**96,473,697** 60,349,602

## 12 EARNINGS PER SHARE (continued)

LOSS PER SHARE (PENCE PER SHARE)

BASIC AND FULLY DILUTED\*:

- from continuing and total operations **(2.47p)** (4.15p)

\*Since the Group has incurred losses in both 2013 and 2014 the basic loss and the diluted loss per share are the same as the effect of exercise of options and warrants is not dilutive.

## 13 GOODWILL

Goodwill has arisen in 2012 on the acquisition of Graph Mada S.a.r.l (“GMS”) by Graphmada Equity Pte. Ltd (“GME”) and in 2013 on the acquisition of Graphmada Equity Pte. Ltd by the Company.

	2014 £'000	2013 £'000
At 1 January	5,012	143
Arising on reverse acquisition of GME*	-	4,869
<b>At 31 December</b>	<b>5,012</b>	<b>5,012</b>

\* The amount of £4,869,000 includes an amount of £370,000 of Goodwill arising on the reverse acquisition for the remaining 85% (see Note 22 for further details). The remaining amount of £4,499,000 relates to the Goodwill arising on the reverse acquisition for the initial 15% investment made by the Company in GME in 2012.

The Directors have reviewed the carrying value of Goodwill at 31 December 2013 and consider that no impairment provision is required. The Impairment review involved calculating the NPV of the Group’s cash generating assets including the assets acquired in 2013 following the acquisition of GME. The NPV calculation involved using the discounted cash flow forecast model based on current and expected production results. As a result of carrying out this impairment testing review the Directors felt there was no need for any impairment of the carrying value of the Goodwill.

The Directors continue to review Goodwill on an on-going basis and where necessary in future periods will request external valuations to further support the valuation basis.

## 14 PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment	Fixtures and fittings	Buildings and infrastructure	Motor Vehicles	Group Total
<i>Cost</i>	£'000	£'000	£'000	£'000	£'000
As at 1 January 2013	95	34	3	159	291
Additions	240	57	272	85	654
Disposals	(14)	(29)	(3)	(9)	(55)
As at 31 December 2013	321	62	272	235	890
Additions	251	13	244	61	569
Disposals	(37)	-	-	-	(37)
<b>As at 31 December 2014</b>	<b>535</b>	<b>75</b>	<b>516</b>	<b>296</b>	<b>1,422</b>
<i>Depreciation</i>					
As at 1 January 2013	-	-	2	20	22
Charge for the year	9	6	6	54	75
Disposals	-	-	(2)	(9)	(11)
As at 31 December 2013	9	6	6	65	86
Charge for the year	49	14	20	24	107
Disposals	(1)	-	-	-	(1)
<b>As at 31 December 2014</b>	<b>57</b>	<b>20</b>	<b>26</b>	<b>89</b>	<b>192</b>
<i>Net book value</i>					

<b>As at 31 December 2014</b>	<b>478</b>	<b>55</b>	<b>490</b>	<b>207</b>	<b>1,230</b>
<b>As at 31 December 2013</b>	<b>312</b>	<b>56</b>	<b>266</b>	<b>170</b>	<b>804</b>

## 15 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company invests in its subsidiary and associated undertakings

COMPANY	2014 £'000	2013 £'000
Cost and net book value		
At 1 January	26,469	46
Acquisition of 15% GME in 2012	-	821
Additions	-	102
Acquisition of 85% GME	-	25,500
<b>As at 31 December</b>	<b>26,469</b>	<b>26,469</b>

All principal subsidiaries of the Group are consolidated into the financial statements. At 31 December 2014 the subsidiaries were as follows:

Subsidiary undertakings	Country of registration	Principal activity	Holding	%
Direct Excellence Limited	UK	Intermediate holding company	Ordinary shares	100%
Graphmada Equity Pte. Ltd	Singapore	Intermediate holding company	Ordinary shares	100%
Stratmin Global Graphite Ltd	Jersey	Operational company	Ordinary shares	100%
Graph Mada S.A.R.L.*	Madagascar	Mining	Ordinary shares	100%

\*Held through subsidiary undertaking.

The following amounts are investments made by the Company in associated and subsidiary undertakings by way of loan rather than equity, as above:

COMPANY	2014 £'000	2013 £'000
Loans to group companies		
At 1 January 2014	1,227	118
Additions	1,059	1,109
Repayments	-	-
<b>As at 31 December</b>	<b>2,286</b>	<b>1,227</b>

## 16 AVAILABLE-FOR-SALE INVESTMENTS

	GROUP		COMPANY	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Investments at fair value at 1 January 2014	26	-	26	859
Reclassified as Investment in subsidiary	-	-	-	(821)
Investments acquired on reverse acquisition	-	38	-	-
	26	38	26	38
Market value adjustments to investment	(20)	(12)	(20)	(12)
<b>Market value of investments at 31 December 2014</b>	<b>6</b>	<b>26</b>	<b>6</b>	<b>26</b>
Categorised as:				
Level 1 Investments	6	26	6	26

The table above sets out the fair value measurements using the IFRS 7 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 - valued using quoted prices in active markets for identical assets.

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

There were no transfers between Level 1, Level 2 and Level 3 in either 2014 or 2013.

### Measurement of fair value of financial instruments

The management team of Stratmin Global Resources plc perform valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

#### Level 3 financial assets

Reconciliation of Level 3 fair value measurement of financial assets:

COMPANY	2014 £'000	2013 £'000
At 1 January	-	821
Reclassified as Investment in Subsidiary	-	(821)
At 31 December	-	-

Level 3 valuation techniques used by the Group are explained in Note 24 (Fair value of financial instruments)

Investments held as Level 3 investments in 2012 were reclassified to "Investment in Subsidiary" in the 2013 period. During the 2012 period the Company held a position in unquoted securities that did not exert significant influence, as such they were classified as "Available for Sale" Level 3 financial assets. During the 2013 period the position held in the unquoted securities changed to a controlling stake in the investment. As a result, the classification of the investment moved from "Available for Sale Investments" to "Investment in Subsidiary" (Note 15).



## 17 INVENTORY AND WORK IN PROGRESS

	GROUP		COMPANY	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Inventory	168	69	-	-
Work in progress	74	159	-	-
	<b>242</b>	<b>228</b>	<b>-</b>	<b>-</b>

The Directors consider the carrying amount of inventory equivalents approximates to their fair value.

## 18 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Other receivables	-	-	-	-
Prepayments and accrued income	22	15	14	9
Trade receivable	65	34	21	-
VAT Receivable	270	141	15	25
	<b>357</b>	<b>190</b>	<b>50</b>	<b>34</b>
Short term loans to group companies	-	-	1,066	505
	<b>357</b>	<b>190</b>	<b>1,116</b>	<b>539</b>

No receivables were past due or provided for at the year-end or at the previous year end.

The Directors consider the carrying amount of intercompany loans and other receivables approximates to their fair value.

## 19 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Cash and cash equivalents	91	420	79	350

The Directors consider the carrying amount of cash and cash equivalents approximates to their fair value.

## 20 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade payables	161	224	85	136
Other payables	65	12	32	-
Accrued expenses	156	428	154	426
	<b>382</b>	664	<b>271</b>	562

The Directors consider the carrying amount of trade payables approximates to their fair value.

## 21 SHORT TERM BORROWINGS

The following amounts relate to Short term borrowings:

	GROUP		COMPANY	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Convertible loan notes	-	750	-	750
Other short term borrowings*	226	97	226	97
	<b>226</b>	847	<b>226</b>	847

Included within Other short term borrowings is a short term loan of £219,000 from David Premraj. The loan accrued interest of £10,923 and was repaid shortly after the year end (see Note 30). The Directors consider the carrying amount of trade payables approximates to their fair value.

## 22 ACQUISITION

On 28 January 2013, the Group acquired 100 per cent of the issued share capital of Graphmada Equity Pte. Limited by way of a share for share exchange. The total consideration being 51,000,000 ordinary shares in the Company (legal parent), resulting in the former shareholders of GME obtaining 87.2% of the issued ordinary shares of the Company at the time. GME's principal activity is that of an investment holding company. This transaction has been accounted for by the reverse acquisition method of accounting as prescribed by IFRS 3 *Business Combinations*. Thus for the purposes of this transaction GME has been treated as the acquirer (or accounting parent), and the Company as the acquiree. The net assets of the Company at the date of acquisition consisted of shareholder's funds of £1,073,716 and an accumulated loss of £29,732,779.

This transaction has resulted in an increase in Merger Reserve of £4,328,473.

Adjustments to equity are primarily disclosed to recognise the legal parent's (the Company) capital structure after recognising the cost of the transaction in equity as prescribed by IFRS 3 *Business Combinations*.

Net assets acquired:

	Book Value	Adjustments	Fair Value	Fair Value
	£'000	£'000	Adjustments	Value
	£'000	£'000	£'000	£'000
Current assets	22	-	-	<b>22</b>
15% investment in GME	872	-	3,628	<b>4,500</b>
Other Non-current assets	156	-	-	<b>156</b>
Current liabilities	(466)	-	-	<b>(466)</b>
Non-current liabilities	-	-	-	-
	<b>584</b>	-	<b>3,628</b>	<b>4,212</b>

## 22 ACQUISITION (continued)

Goodwill*	370
Consideration	4,582

Satisfied by:	£'000
Cash	-
Implied consideration - Shares issued in exchange	4,531
Stamp duty on shares issued	51
Directly attributable costs	-
	<b>4,582</b>

\*As mentioned in Note 13 the total Goodwill arising on the reverse acquisition of GME includes a balance of £4,499,000 relating to the portion attributable to the initial 15% investment by the Company in GME in 2012.

## 23 REVERSE ACQUISITION RESERVE

The reverse acquisition reserve arose from the acquisition of GME by the Company in 2013 and represents the total amount by which the fair value of the shares issued in respect of the acquisition exceed their total nominal value.

	2014 £'000	2013 £'000
At 1 January 2013	48,478	2,039
Arising on share issue	-	-
Arising on acquisition of GME	-	46,439
<b>At 31 December 2013</b>	<b>48,478</b>	<b>48,478</b>

## 24 FINANCIAL INSTRUMENTS

### FINANCIAL ASSETS BY CATEGORY

The IAS 39 categories of financial assets included in the Statement of financial position and the headings in which they are included are as follows:

	2014 £'000	2013 £'000
Financial assets:		
Cash and cash equivalents	91	420
Available for sale investments	6	26
Loans and receivables	598	417
	<b>695</b>	<b>863</b>

## 24 FINANCIAL INSTRUMENTS (continued)

### FINANCIAL LIABILITIES BY CATEGORY

The IAS 39 categories of financial liability included in the Statement of financial position and the headings in which they are included are as follows:

	2014 £'000	2013 £'000
Financial liabilities at amortised cost:		
Trade and other payables	226	236
Short term borrowings	226	847
	<b>452</b>	<b>1,083</b>

### CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, (previously includes the borrowings) cash and cash equivalents and equity attributable to equity holders of the Parent Company, comprising issued capital, reserves and retained earnings, all as disclosed in the Statement of Financial Position.

### FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated by the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market price risk.

### FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. After the acquisition of Graphmada Equity Pte. Ltd, the Group's major activity is now in Madagascar, bringing exposure to the exchange rate fluctuations of GBP/£ Sterling with both USD/\$ Dollars and Madagascan Ariary. The risk is reduced however, given the selling contracts are in USD, Company cash liquidity is in GBP and the Company is transferring cash to its trading subsidiary only for specific operational expenses.

Exchange rate exposures are managed within approved policy parameters. The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk as amounts paid and received in specific currencies are expected to largely offset one another and the currencies most widely traded are relatively stable.

The Directors consider the balances most susceptible to foreign currency movements to be the Investment in Subsidiaries.

These assets are denominated in the following currencies:

	USD \$'000
<b>Company 31 December 2014</b>	
Investment in Subsidiaries	<b>46,889</b>
<b>Company 31 December 2013</b>	
Investment in Subsidiaries	<b>43,870</b>

## 24 FINANCIAL INSTRUMENTS (continued)

### FOREIGN CURRENCY RISK MANAGEMENT

The following table illustrates the sensitivity of the value of investments in regards to the relative GBP and USD exchange rates.

It assumes a +/- 4.72% change in the USD/GBP exchange rate for the year ended 31 December 2014 and a +/- 9.44% change in the USD/GBP exchange rate for the year ended 31 December 2013. These percentages have been based on the average market volatility in exchange rates in the previous twelve months for those periods.

Impact on investments in subsidiaries:

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
<b>Change in equity</b>		
4.72% increase in USD fx rate against GBP	2,213	-
4.72% decrease in USD fx rate against GBP	(2,213)	-
9.44% increase in USD fx rate against GBP	-	4,141
9.44% decrease in USD fx rate against GBP	-	(4,141)

Exposure to foreign exchange rates varies during the year depending on the volume and nature of foreign transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

### INTEREST RATE RISK MANAGEMENT

The Group's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

There are no long term loans or short term loans that carry any interest and thus sensitivity analyses have not been provided on the exposure to interest rates for both derivatives and non-derivative instruments during the year.

There would have been no effect on amounts recognised directly in equity.

### CREDIT RISK MANAGEMENT

The Company's financial instruments, which are subject to credit risk, are considered to be cash and cash equivalents and trade and other receivables, and its exposure to credit risk is not material. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks.

The Group's maximum exposure to credit risk is £689,000 (2013: £837,000) comprising other receivables and cash.

### LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which monitors the Group's short, medium and long-term funding and liquidity management requirements on an appropriate basis. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities. The Group's liquidity risk arises in supporting the trading operations in the subsidiaries, which hopefully will start to generate profits and positive cash-flows in the short term. However, as referred to in Note 4 the Company is currently exposed to significant liquidity risk and needs to obtain external funding to support the Group going forwards.

## 25 DEFERRED TAX

At the year end date, the Group had unused tax losses of £6.1m (2013: £4.7m) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses (2013: £nil) due to the unpredictability of future profit streams.

## 26 CALLED UP SHARE CAPITAL

	Number of shares	Nominal value £'000	Share premium £'000
<b>ISSUED AND FULLY PAID:</b>			
At 31 December 2012	9,061,000	362	28,170
Ordinary shares of 4p each	60,859,756	2,435	1,997
At 31 December 2013	69,920,756	2,797	30,167
Ordinary shares of 4p each	42,713,481	1,708	1,862
Expenses of share issues	-	-	(258)
<b>At 31 December 2014</b>	<b>112,634,237</b>	<b>4,505</b>	<b>31,771</b>

The Company has one class of ordinary shares, which carry no right of fixed income.

On 14 March 2014, the Company issued 27,777,780 new ordinary shares of 4p each for capital raise.

On 31 March 2014, the Company issued 2,971,419 new ordinary shares of 4p each to satisfy certain existing commitments.

On 28 October 2014, the Company issued 11,428,570 new ordinary shares of 4p each for capital raise.

On 01 November 2014, the Company issued 535,714 new ordinary shares of 4p each to satisfy certain existing commitments.

### WARRANTS

On 5 December 2013 the Company issued warrants to subscribe for 4,024,402 ordinary shares at 18.64p per share to Darwin Strategic Limited in relation to the purchase of £750,000 unsecured convertible loan notes on the same date, exercisable on or before 5 December 2016. Since the year end the exercise price has been reset to the lower of 18.64p and 95% of the volume weighted average price ("VWAP") of the Company's shares over the last 6 months.

On 28 March 2014 the Company issued warrants to subscribe for 1,388,889 ordinary shares at 9p per share, exercisable on or before 28 March 2017 to Hume Capital Limited and warrants to subscribe for 300,000 ordinary shares at 9p per share, exercisable on or before 12 March 2019 to Strand Hanson Limited.

On 29 October 2014 the Company issued warrants to subscribe for 5,714,283 ordinary shares at 10p per share to the subscribers to the placing of £800,000 of the same date, exercisable on or before 4 November 2015.

The above issues of warrants are summarised as follows:

Issue Date	Number of warrants issued	Exercise price	Expiry date
<b><i>Brought forward</i></b>	<b>112,500</b>	<b>40 - 235p</b>	<b>Various</b>
29 January 2013	250,300	50.00p	29.01.2016
29 January 2013	300,000	4.00p	29.01.2016
7 March 2013	(102,500)	40 - 50p	-
15 April 2013	(17,499)	40p	-
17 September 2013	4,166,667	20.00p	20.06.2014
5 December 2013	4,024,402	18.64p	05.12.2016
As at 1 January 2014	<b>8,733,870</b>		
<b><i>Issued in the year</i></b>			
28 March 2014	1,388,889	9.00p	28.03.2017
28 March 2014	300,000	9.00p	12.03.2019
29 October 2014	5,714,283	10.00p	04.11.2015
	<b>16,137,042</b>		
<b><i>Exercised or lapsed during the year</i></b>			
17 September 2013	(4,166,667)	20.00p	20.06.2014
<b>At 31 December 2014</b>	<b>11,970,375</b>	<b>13.89p</b>	

## 27 SHARE-BASED PAYMENTS

### WARRANTS

Warrants issued in the period have been listed out above in Note 26. The Company's position with regards to warrants is as follows:

The estimated fair value of the warrants granted in relation to the charge in the period for the Warrants issued on 28 March 2014 was calculated by applying the Black-Scholes option pricing model. The assumptions used in the calculation were as follows:

	<b>28 March 2014</b>	<b>29 October 2014</b>
Share price at date of grant	8.63 pence	8.00 pence
Exercise price	10.00 pence	10.00 pence
Expected volatility	40%	40%
Expected dividend	Nil	Nil
Vesting criteria	Exercisable on date of grant	Exercisable on date of grant
Contractual life	2 years	1 year
Risk free rate	2.5%	2.5%
Estimated fair value of each warrant	4.5635 pence	1.9894 pence

The total share-based payment expense recognised in the option and warrant reserve for the year ended 31 December 2014 in respect of the warrants issued was £88,000 (2013: £152,644).

Details of the warrants outstanding during the year are as follows:

	<b>2014</b>		<b>2013</b>	
	<b>Number of Warrants</b>	<b>Weighted average exercise price</b>	<b>Number of Warrants</b>	<b>Weighted average exercise price</b>
	<b>ooo's</b>	<b>£</b>	<b>ooo's</b>	<b>£</b>
Outstanding at the beginning of the year	<b>8,734</b>	<b>0.1962</b>	113	0.8990
Granted during the year	<b>7,403</b>	<b>0.9771</b>	8,741	0.1958
Exercised during the year*	-	-	(120)	0.4479
Lapsed during the year	<b>(4,167)</b>	<b>0.2000</b>	-	-
Reissued in the year	-	-	-	-
Outstanding at the end of the year	<b>11,970</b>	<b>0.1389</b>	8,734	0.1962
Exercisable at the end of the year	<b>11,970</b>	<b>0.1389</b>	8,734	0.1962

The warrants outstanding at 31 December 2014 had a weighted average exercise price of 13.89p (2013: 19.62p) and a weighted average remaining contractual life of 2.1years (2013: 2.6 years).

## 27 SHARE-BASED PAYMENTS (continued)

### EQUITY-SETTLED SHARE OPTION SCHEMES

The Group has granted a variety of options to certain employees and consultants. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. If the options remain unexercised after a period of between 3 and 10 years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

On 2 March 2012 the Company granted options over 4,790,403 shares each to Gobind Sahney and Jeff Marvin. The options are exercisable at any time until 1 March 2022 at 2.25p per share. Following the share consolidation on 28 January 2013 the number of options and applicable exercise price were adjusted to 479,040 each at 22.5p for Gobind Sahney and Jeff Marvin.

On 12 March 2014 the Company granted options over, in aggregate, 7,000,000 ordinary shares to the Board, key staff and consultants as follows:

2,250,000 were granted to Manoli Yannaghas in four tranches at exercise prices of 14p, 17p and 21p, with different vesting conditions all expiring on 12 March 2017.

2,000,000 were granted to Laurie Hunter in three different tranches at exercise prices of 14p, 17p and 21p, all of which vested on the anniversary of the date of issue. 1,000,000 options expire on 12 March 2017 and 1,000,000 options expire on 12 March 2018.

2,000,000 were granted to key staff and a director of one of the Company's subsidiaries.

750,000 were granted to the outgoing Chairman vesting immediately with an exercise price of 14p expiring on 12 March 2017.

The estimated fair value of the options granted was calculated by applying the Black-Scholes option pricing model. The assumptions used in the calculation were as follows:

	<b>14p Options</b>	<b>17p Options</b>	<b>21p Options</b>
Share price at date of grant	9.00 pence	9.00 pence	9.00 pence
Exercise price	14.00 pence	17.00 pence	21.00 pence
Expected volatility	40%	40%	40%
Expected dividend	Nil	Nil	Nil
Vesting criteria	Exercisable on date of grant	Exercisable on date of grant	Exercisable on date of grant
Contractual life	3 years	3-4 years	3-4 years
Risk free rate	2.5%	2.5%	2.5%
Estimated fair value of each Option	2.2054 pence	1.70435 pence	1.2405 pence

The total share-based payment expense recognised in the option and warrant reserve for the year ended 31 December 2014 in respect of the options granted was £109,413 (2013: £nil).



## 27 SHARE-BASED PAYMENTS (continued)

Details of the options outstanding during the year are as follows:

	2014		2013	
	Number of options 000's	Weighted average exercise price £	Number of options 000's	Weighted average exercise price £
Outstanding at the beginning of the year	*958	0.2250	*958	0.2250
Granted during the year	7,000	0.1566	-	-
**Cancelled during the year	(479)	0.2250	-	-
Lapsed during the year	-	-	-	-
Reissued in the year	-	-	-	-
Outstanding at the end of the year	7,479	0.1610	*958	0.2250
Exercisable at the end of the year	3,229	0.1526	*958	0.2250

The option figures above take into account the consolidation of the Company's ordinary shares in issue at 28 January 2013.

\*\*The 479,040 options granted to Gobind Sahney been cancelled following his resignation from the Company on 12 March 2014.

The 7,000,000 options granted during the period have been detailed out above.

The options outstanding at 31 December 2014 had a weighted average exercise price of 16.1p (2013: 22.5p) and a weighted average remaining contractual life of 4.2 years.

The charge in the income statement in respect of options in 2014 was £109,413 (2013: £nil).

## 28 DECOMMISSIONING OBLIGATION

	GROUP		COMPANY	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Balance at 1 January	28	-	-	-
Provision in the year	104	28	-	-
	132	28	-	-

Provision has been made in respect of the eventual decommissioning cost in respect of the graphite mine in Loharano in accordance with the Group accounting policy. See Note 3.

## 29 EVENTS AFTER THE REPORTING PERIOD

On 23 January 2015 the Company issued 945,043 new ordinary shares of 4p each to certain directors, consultants and contractors of the Company in lieu of unpaid salary and fees and to satisfy certain other existing commitments.

On 26 January 2015, the Company completed the placing of 18,947,369 new ordinary shares of 4p each at a price 4.75p each, raising in aggregate gross proceeds of approximately £900,000.

As part of the placing on 26 January 2015, the Company issued warrants to subscribe for one new Ordinary share for every two Placing shares, being 9,473,682 warrants in total, each exercisable at 8p per Ordinary share at any time before 23 January 2016.

## 30 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in these financial statements.

The remuneration of the Directors, who are the key management personnel of the Group, is set out in note 8.

Costs recharged from companies controlled by members of key management for consultancy £3,045 (2013: £79,018), entirely paid during the year.

During the year a Director lent the Company £219,000 by way of a short term Director Loan. This has been included within Short Term Borrowings. The amount outstanding at year end was £219,000, with interest accruing at 4.98%. The loan was repaid in full within 3 months of the year end.

## 31 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had no capital commitments or contingent liabilities as at 31 December 2014 (2013: £nil).

## 32 ULTIMATE CONTROLLING PARTY

The Directors do not consider there to be one single ultimate controlling party