

MINERAL & FINANCIAL INVESTMENTS LIMITED

Annual Report and Financial Statements
for the 18 month period ended 30 June 2018

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COMPANY INFORMATION

DIRECTORS:	Jacques Vaillancourt (Chairman) Sean Keenan
OFFICERS:	Jacques Vaillancourt (Chairman) James Lesser (Chief Operating Officer)
REGISTERED OFFICE:	190 Elgin Avenue George Town Grand Cayman KY1-9005 Cayman Islands
COMPANY NUMBER:	Incorporated in the Cayman Islands with registered number 141920
SECRETARY:	Walkers SPV Limited
NOMINATED ADVISER:	W H Ireland 24 Martin Lane London EC4R 0DR UK
JOINT BROKERS:	Novum Securities Ltd. 10 Grosvenor Gardens London SW1W 0DH UK
	W H Ireland 24 Martin Lane London EC4R 0DR UK
REGISTRARS:	Capita Registrars (Jersey) Limited 12 Castle Street St Helier Jersey JE2 3RT
SOLICITORS:	Charles Russell Speechlys 5 Fleet Place London EC4M 7RD
AUDITORS:	Welbeck Associates Registered Auditor Chartered Accountants 30 Percy Street London W1T 2DB

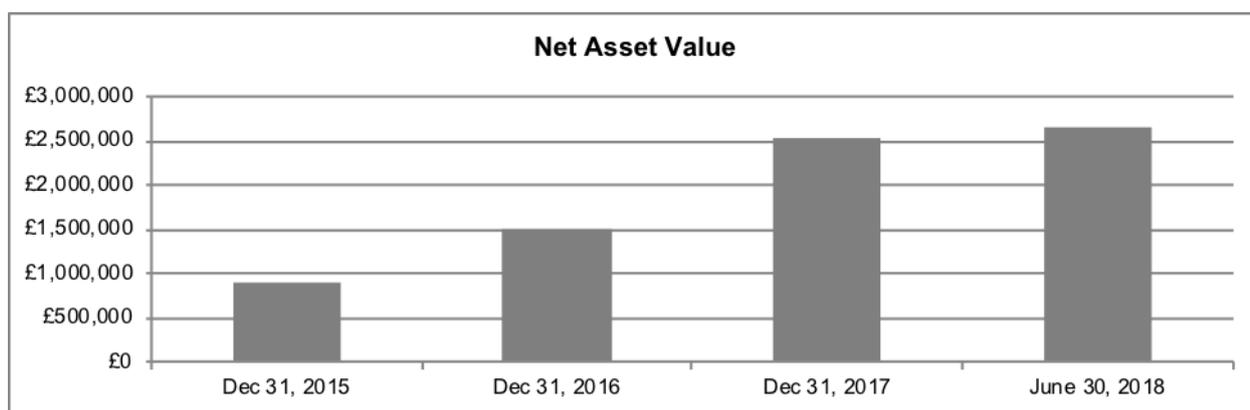
CHAIRMAN'S STATEMENT

FOR THE 18 MONTH PERIOD TO 30 June 2018

Dear fellow shareholders,

Mineral & Financial Investments Limited M&FI is an investing company with the invest objectives of a mining finance house, which includes providing investment in and capital to finance mining companies and/or projects while providing our shareholders with superior returns. We will seek to provide financing and act as a good partner in exchange for meaningful ownership levels, and board representation. We will provide advisory services when possible and will be willing to make follow-on investments when appropriate. The full details of our investing policy are set out in the Directors' Report on page 8.

During the fiscal period ending 30 June 2018 your company generated net trading income of £315,000 that translated into a net profit of £55,000 or 0.2p per share. At the period end of 30 June 2018, our Net Asset Value (NAV) was £2,623,000, an increase of 75.5% from the 31 December 2016 NAV of £1,495,000. The Net Asset Value per Share (NAVPS) as at 30 June 2018 was 7.49p per share, up 19.8% from the previous year's NAVPS of 6.25p. We continue to be effectively debt free with working capital of £2.63 million.



The world's economic performance improved in 2017, and the outlook continues to be positive. The IMF's World Economic Outlook (Update 16 July 2018) forecasts that global growth will reach 3.9% in 2018 and 2019. This follows growth of 3.2% in 2016 and 3.7% in 2017. Advanced economies are expected to see their growth slow a little from a peak of 2.2% this year, while emerging markets should see their growth rates continue to rise, reaching 4.9% this year, and 5.1% in 2019. I note this, and the difference in the growth rates between the advanced economies and the emerging economies, as the importance of metal and mineral demand from emerging markets is more important in determining metal demand and ultimately pricing than the advanced economies.

IMF – World Economic Outlook (July 2018)	2016	2017	2018 Est.	2019 Est.
World Output	3.2%	3.7%	3.9%	3.9%
Advanced Economies	1.7%	2.4%	2.4%	2.2%
Emerging Markets and Developing Economies	4.4%	4.7%	4.9%	5.1%
Consumer Prices				
Advanced Economies	0.8%	1.7%	2.2%	2.2%
Emerging Markets and Developing Economies	4.3%	4.0%	4.4%	4.4%

Also worth noting is the rising expectation of inflation. Advanced Economies inflation was 0.8% in 2016, and expected to average 2.2% in 2018, while emerging and developing economies should experience average inflation of 4.4% in 2018. Moderate economic expansion and growing inflationary pressures for the Advanced Economies set an additional grappling hook over the balustrade that should help metal prices pull themselves up from their current levels over the next 18 months (all data from IMF).

We have observed that following echo from the Global Credit Crisis of 2007-2008 there has been a rise in political populism. We believe that when the electorate fears the absence of control, they will vote for candidates that promise strength and decisiveness over the status quo. We have observed that the result has seen increased turbulence, reduced levels of trust and diminished levels of predictability in international commercial and diplomatic relations dealings as a growing number of strong men, and a few straw men wish to satisfy their electoral bases..

CHAIRMAN'S STATEMENT

FOR THE 18 MONTH PERIOD TO 30 June 2018

Despite continued economic expansion, interest rates are essentially unchanged from where they were on January 1, 2016. How much longer will rates remain low, as inflationary pressures are returning and economic performance has been competently positive? The Chairman of the US Federal Reserve Board, Jerome Powell, has indicated that we should expect three rate hikes in 2018, with one already put into effect. US 10-year treasury rates have evolved from being the baseline interest rate for western economies, to being the 16th highest interest rate level of the 20 largest world economies, just ahead of Greece, but behind New Zealand. What does this say? A great deal, but mostly, we believe, that the defence of the US dollar has begun, and that the era of the US dollar being the "world's currency" is drawing to an end..

Unsurprisingly, Global equity markets are up for the most part over the past 18 months supported by global economic growth and low administered rates. The S&P 500 Index rising 22.8% to 2,718.37 as at our year end. European indices unfortunately, struggled a little more – during the same period the EuroStoxx 50 is up 3.2% to 3395.60 and the FTSE 100 is up 6.9% to 7,696.93. In China the CSI 300 was up 6.1% to 3,510.99, while Japan and Hong Kong did better, rising 16.7% and 31.6% respectively.

Commodities appear to have risen healthily, when measured by the Reuters-CRB Index, which rose 6%. However this needs to be viewed in the context of a 39.8% increase in oil prices (Brent) and that this masks the wide disparity in price performances within the various commodity sectors. By contrast, during the same period, corn is down 8%, as were cattle prices. We believe that the current correction is the product of a rally in the US dollar coupled with concerns about the impact, depth and duration of the trade war recently initiated by President Trump. The stark reality is that there have been very few, if any, significant metal discoveries in the past decade. We believe the sector continues to be starved of exploration capital. The continued growth in economic activity, notably from the emerging markets that consume far more metals as they transform themselves into increasingly industrialized economies and the dearth of exploration will cause, we believe, a leap in metal prices.

Our investment in TH Crestgate progressed as we had hoped and expected, although perhaps exogenous factors moved a little more slowly than we had planned. Our investment in TH Crestgate had as its primary purpose to create value for our shareholders by exposing the company to zinc, lead and copper market appreciation. During the year THC completed a resource update meant to quantify the resource expansion achieved through the exploration activity it initiated. The resource, when acquired, was 4.5Mt of zinc and lead rich ore. TH Crestgate succeeded in expanding it to a 9.65Mt deposit while maintaining zinc equivalent grades. We believe that with more exploration on the project that the resource can be expanded further. For the past 12 months TH Crestgate has been in various discussions to secure a partner for the Lagoa Salgada project with Mineral & Financial guidance.

Our Investment in Cap Energy ("Cap") is valued at its last financing in 2016. The company, which is 76% controlled by its board and management, is progressing three West African offshore blocks in which it has a significant ownership interest. These three blocks are located off western Africa – Two (Block 1 and Block 5B) are located offshore Guinea Bissau, and the third (Djifferé) is located offshore Senegal. Cap is working closely with its partners to bring a large partner to operate the exploration programs. Significant progress has been made since we last reported and we expect that this will begin to bear fruit over the next year.

M&FI continues to be seeking suitable strategic investment opportunities that we believe will generate above average returns while adhering to our standards of prudence.

We will continue to advance your company with prudence and common sense in 2018-19.

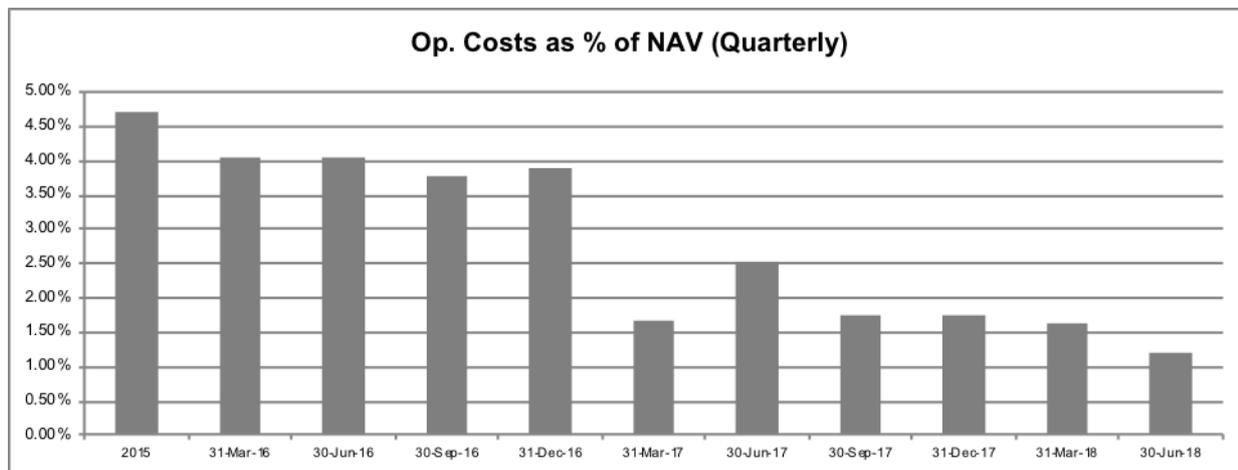
Jacques Vaillancourt, CFA
Executive Chairman
27 July 2018

CHIEF OPERATING OFFICER'S REPORT AND INVESTMENT REVIEW

FOR THE 18 MONTH PERIOD TO 30 June 2018

OPERATIONS

The key to creating shareholder value is to keep costs low, and more particularly lower than the average accretion in the Net Asset Value. We have succeeded in reducing our average quarterly operating costs as a percentage of our NAV to 1.19%. Put another way, all we have to do is increase our NAV by more than 1.19% and we have created net value for our shareholders. During the period we have remained essentially debt free.



INVESTMENT PORTFOLIO

There has been a very tepid recovery in the mining sector. The investment portfolio now totals £2,269,000, up 78% from 31 December 2016. During the 18 month period covered by the annual report the FTSE 350 Mining index rose 6%, the S&P Metals & Mining Select Industry index rose by 8.9% and the VanEck Vectors Gold Miners index rose by 6.6%. Metal prices performed much better, on average, than did the underlying mining companies.

ETF Portfolio**Gold ETF**

During the past 12 months the Company's gold ETF value, despite the correction in the waning months of the period ending 30 June 2018, is still up 15.6% from our purchase price. The position has been an excellent hedge against the weakening of the British Pound, our reporting currency. The issue of Brexit, which most, including ourselves, would have expected to be more advanced in defining its path towards a resolution looks as uncertain as it did 2 years ago. A physical gold position is a core holding in our portfolio. We believe gold to be undervalued at current prices and are considering adding to our position during the price weakness of this summer.

Platinum ETF

Platinum continues to be a perplexing metal. It is our smallest metal investment in GBP value. Platinum supplies are principally from two countries, South Africa primarily, and Russia. Both of these countries currencies are depressed and resulting in high prices for platinum in their home currencies. These high prices are drawing marginal sources of supply into the markets. Demand is principally from automotive production (37% to 41% of total demand). The arrival of Electric Vehicles (EV) to the market place is casting a distant cloud on long-term platinum demand. The second source of demand is from jewellery production (31% to 38% of total demand), of which in excess of 60% of jewellery demand originates from China. Current sources of demand are emerging while the historical sources of demand are flat to down. The election of a new leader in South Africa will slowly reset the economy on a more stable footing, and very slowly result in stabilization in the SA Rand. However, until a more mining investment friendly environment is clearly apparent, little new capital will be attracted to South Africa in general, and platinum mines specifically. The Company is cautiously optimistic about its platinum investment.

CHIEF OPERATING OFFICER'S REPORT AND INVESTMENT REVIEW

FOR THE 18 MONTH PERIOD TO 30 June 2018

Silver ETF

Silver has a higher degree of price leverage in a rising market for precious metals than other precious metals such as gold and platinum. Silver production and overall supply declined in 2017 to 991.7M ounces, down 1.8% from 2016. Physical demand was down 2.3% during the same period. The company maintained its silver position, but is down 9.4%. Electronics demand for silver is the fastest growing source of new demand for silver. We believe that demand will resume its growth in the near future and that silver supply will struggle to grow at the same pace. Going forward our silver position will be a trading position.

No other metal positions were initiated during the period.

Equity portfolio

Cap Energy

We believe Cap has made forward strides in de-risking its assets through negotiating improved terms in both Senegal and Guinea. Additionally, the company has advanced the geological attractions of all three of its West African off shore oil and gas assets. Cap has, in conjunction with its partners, initiated discussions and signed confidentiality agreements with several global energy companies considering partnering with Cap on their highly prospective projects off the west coast of Africa.

TH Crestgate

Your company owns 49% of TH Crestgate. TH Crestgate owns 100% of Redcorp Empreedimentos Mineiros Lda. 100%. Redcorp is a Portuguese company whose main asset is the Lagoa Salgada Project. The Lagoa Salgada project was acquired when zinc and lead prices were at cycle lows. The asset, at the time of its acquisition, had a historical resource, compliant with the Canadian National Instrument 43-101 rules, of 4.5Mt on indicated and inferred resources. Thanks to the diligent work of the teams at TH Crestgate and Redcorp in Portugal, the asset was increased to 9.65Mt resource, also indicated and inferred. TH Crestgate has been very actively seeking a financial and operational partner.

The value of the Company's stake in Anglo Pacific more than doubled during the previous annual reporting period, which created a good point to exit the investment. The value of the Company's stake in Glencore more than tripled, during the course of 2017-18 and we used this strength to exit the position, well ahead of the company's share price fall as a result of the allegations from US Department of Justice. The Company has acquired a shareholding in Ascendant Resources, a Toronto Stock Exchange listed producer of zinc. Ascendant's main asset is the El Mochito mine in Honduras. We believe that the shares of Ascendant are undervalued relative to its earnings and cash flow prospects. The Company has a market value of USD47.0 million and has given guidance for 2018 of Free Cash Flow of USD14.0M to USD20.0M this year. During the period we also initiated positions in Imperial Metals (TSX) and Artemis Resources (ASX), which in the context of the current weakness in virtually all metal stocks, have performed in line with their comparable peers.

James Lesser
Chief Operating Officer

27 July 2018

STRATEGIC REPORT

FOR THE 18 MONTH PERIOD TO 30 June 2018

The Directors present their Strategic Report on the Company for the 18 month period to 30 June 2018.

RESULTS

The Group made a profit after taxation for the 18 months to 30 June 2018 of £55,000 (12 months to 31 December 2016: £111,000). The Directors do not propose a dividend (2016: £nil).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A review of the business in the period and of future developments is set out in the Chief Operating Officer's review, which should be read as part of the strategic review.

KEY PERFORMANCE INDICATORS

The key performance indicators are set out below:

COMPANY STATISTICS	30 June 2018	31 December 2016	Change %
Net asset value	£2,623,000	£1,495,000	+78%
Net asset value - fully diluted per share	7.5p	6.3p	+21%
Closing share price	7.9p	6.1p	+30%
Share price premium/(discount) to net asset value - fully diluted	5%	(3%)	–
Market capitalisation	£2,750,000	£1,473,000	+87%

PRINCIPAL RISKS AND UNCERTAINTIES

The key risk facing shareholders is that the value of the investments falls and that future returns to shareholders are therefore lower than they could have been.

Details of the financial risk management objectives and policies are provided in Note 14 to the financial statements.

GOING CONCERN

The Directors have prepared cash flow forecasts through to 31 December 2019, which assumes no significant investment activity is undertaken unless sufficient funding is in place to undertake the investment activity and the forecasts demonstrate that the Company is able to meet its obligations as they fall due. On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Company's financial statements.

For and on behalf of the Board

Jacques Vaillancourt, CFA
Director

27 July 2018

DIRECTORS' REPORT

FOR THE 18 MONTH PERIOD TO 30 June 2018

The Directors present their annual report together with the audited financial statements for the 18 month period to 30 June 2018.

PRINCIPAL ACTIVITY AND INVESTING POLICY

During the year the Company continued to act as an investment company. The following Investing Policy was adopted at a General Meeting held 28 November 2013:

"The Company's Investing Policy is to invest in the natural resources sector through investments in companies or other assets, which it considers to represent good value and offer scope for significant returns to Shareholders over the long term. In particular, the Company will focus on providing new capital for mining companies that require finance for their projects.

Investments will be made in the securities of quoted and un-quoted companies and their assets, units in open-ended investment companies, exchange traded funds, physical commodities, derivatives, and other hybrid securities.

As the Company's assets grow the intention is to diversify company, geographic, and commodity risks. The Company will have a blend of passive and active investments and, if and when appropriate, it may seek to gain control of an investee company.

Returns to Shareholders are expected to be by way of growth in the value of the Company's Ordinary Shares. The Company may also from time to time make market purchases to buy in the Company's Ordinary Shares if the Directors consider this to be in the interests of Shareholders as a whole. The Company will publish a quarterly update on its NAV.

Mineral & Financial Investments Ltd.'s investment policy is focused on the metals and mining industry.

The Company's strategy is to invest, finance, and advise metals and mining companies through "Strategic" investments. The Company's capital, when not deployed in strategic investments, will be captured and deployed in our "Tactical" portfolio."

POSTYEAR END EVENTS

There have been no material post year-end events.

DIRECTORS

The Directors of the Company during the year and subsequently are set out below.

Jacques Vaillancourt

Sean Keenan

Alastair Ford (resigned 29 December 2017)

Laurence Read (resigned 25 January 2017)

There is a qualifying third party indemnity provision in force for the benefit of the Directors of the Company.

SUBSTANTIAL SHAREHOLDINGS

The only interests in excess of 3% of the issued share capital of the Company which have been notified to the Company as at 23 July 2018 were as follows:

	Ordinary shares of 1p each number	Percentage of capital %
Lynchwood Nominees Limited	8,001,490	22.8%
*Mount Everest Finance SA	6,214,000	17.7%
Timothy Darvall	1,410,920	4.0%

*Jacques Vaillancourt is the sole shareholder of Mount Everest Finance SA

DIRECTORS' REPORT

FOR THE 18 MONTH PERIOD TO 30 June 2018

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Company was incorporated as a corporation in the Cayman Islands, which does not prescribe the adoption of any particular accounting framework. Accordingly, the Board has resolved that the Company will follow applicable law and International Financial Reporting Standards as adopted by the European Union (IFRSs) when preparing its annual financial statements.

The Directors are responsible for the preparation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company and of the profit, or loss of the Company for the period. In preparing the financial statements, the directors are required to:

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

The Directors are responsible for keeping adequate accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information held on the Company's website.

AUDITORS

The auditors Welbeck Associates have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

For and on behalf of the Board

Jacques Vaillancourt, CFA
Director

27 July 2018

CORPORATE GOVERNANCE REPORT

FOR THE 18 MONTH PERIOD TO 30 June 2018

The requirements of the combined code of corporate governance are not mandatory for companies traded on AIM. However, the Directors recognize the importance of sound corporate governance and have adopted corporate governance principles that the Directors consider are appropriate for a company of its size.

BOARD OF DIRECTORS

The Board of Directors is responsible for the Company's system of corporate governance. It comprises an executive chairman and one other non-executive director. The Chairman of the Board is Jacques Vaillancourt.

The Board met regularly throughout the year. It has a schedule of matters referred to it for decision, which includes strategy and future developments, allocation of financial resources, investments, annual and interim results, and risk management. Matters that would normally be referred to appointed committees, such as the audit and remuneration committees, are dealt with by the full Board.

INTERNAL CONTROL

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Company's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

REPORT ON REMUNERATION

FOR THE 18 MONTH PERIOD TO 30 June 2018

DIRECTORS' REMUNERATION

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders and it is committed to following current best practice. The Company operates within a competitive environment and its performance depends on the effective contributions of the Directors and employees who are compensated accordingly.

DIRECTORS' REMUNERATION

The remuneration of the Directors was as follows:

	18 months to 30 June 2018			Year ending 31 December 2016		
	Salary and fees £'000	Pension £'000	Total £'000	Salary and fees £'000	Pension £'000	Total £'000
Jacques Vaillancourt	37	-	37	25	-	25
Sean Keenan	14	-	14	-	-	-
Alastair Ford	24	-	24	24	-	24
Laurence Read	2	-	2	18	-	18
	77	-	77	67	-	67

PENSIONS

No pension contributions were paid in respect of the directors for the 18 month period to 30 June 2018, or for the year ended 31 December 2016.

BENEFITS IN KIND

The Directors did not receive any benefits in kind, either in the 18 month period to 30 June 2018, or for the year ended 31 December 2016.

BONUSES

There were no bonuses payable either for the 18 month period to 30 June 2018, or for the year ended 31 December 2016.

SHARE OPTION INCENTIVES

Directors held options as follows. Further details of options are disclosed in note 11.

	At beginning of period	Granted in period	Exercised in period	Lapsed in period	At end of period	Average Exercise price
Jacques Vaillancourt	105,000	230,000	-	-	335,000	7.62p
Sean Keenan	-	100,000	-	-	100,000	7.50p
Alastair Ford	210,000	125,000	-	-	335,000	7.74p
Laurence Read	185,000	110,000	(295,000)	-	-	-

For and on behalf of the Board

Jacques Vaillancourt, CFA
Director

27 July 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MINERAL & FINANCIAL INVESTMENTS LIMITED

FOR THE 18 MONTH PERIOD TO 30 June 2018

OPINION

We have audited the financial statements of Mineral and Financial Investments Ltd (the 'Company') for the period ended 30 June 2018 which comprise the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of relevant legislation.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTER

HOW WE ADDRESSED IT

ACCOUNTING ESTIMATES

Are prepared on a reasonable and consistent basis and are disclosed adequately in the financial statements.

We have considered the basis of the accounting estimates applied when preparing the financial statements and considered the responses to audit questions with professional scepticism.

RELATED PARTIES

We are required to consider if the disclosures made in the financial statements are complete and accurate and to consider the processes for identifying related parties and related party transactions.

We have assessed the Company's procedures for identifying related parties and ensuring the completeness of the disclosures that are included in the audit planning pack.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MINERAL & FINANCIAL INVESTMENTS LIMITED
FOR THE 18 MONTH PERIOD TO 30 June 2018

KEY AUDIT MATTER

HOW WE ADDRESSED IT

MANAGEMENT OVERRIDE

We are required to consider how management biases could affect the results of the company.

We have considered the controls in place, remained alert for material and unusual items and tested a sample of journals to assess the risk.

INVESTMENTS

We consider the disclosure of the investment net book value, the realised and unrealised gains, the acquisitions and disposals.

We have performed tests of detail through agreement to bank statements and the contracts, together with a review of the client calculations and valuations. We have tested valuations of the listed investments through agreement to London Stock Exchange prices at the year end.

OUR APPLICATION OF MATERIALITY

Materiality for the Company financial statements as a whole was set at £82,300 (2016: £46,000).

This has been calculated as 3% of the benchmark of gross assets (2016: 3%), which we have determined, in our professional judgment, to be one of the principal benchmarks within the financial statements relevant to members of the Company in assessing financial performance of the Company.

We report to the Director all corrected and uncorrected misstatements we identified through our audit with a value in excess of £4,115 (2016: £2,300), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit is risk based and is designed to focus our efforts on the areas at greatest risk of material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size.

The investments balance is highly material and four of the investments are unlisted. Additionally, the gain on the sale of investments is also highly material. As such testing was detailed, through agreement to bank statements, contracts and LSE prices, together with a review of the client calculations and valuations. Specifically, there is a high risk with regard to valuation. The cost of these unquoted investments are subjective figures, determined by management.

We consider management override and related parties to be qualitatively material. Although it is not the responsibility of the auditor to discover fraud, clearly any instances of fraud which we detect are material to the users of the financial statements. We have tested manual and automated journal entries, with a focus on those journal entries at year end. In addition, as part of our audit procedures to address this fraud risk, we assessed the overall control environment and reviewed whether there had been any reported actual or alleged instances of fraudulent activity during the year. For Related Parties, we have inquired with the client as the relevant related parties. We have also assessed the Company's procedures regarding related parties.

OTHER INFORMATION

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MINERAL & FINANCIAL INVESTMENTS LIMITED

FOR THE 18 MONTH PERIOD TO 30 June 2018

OPINIONS ON OTHER MATTERS

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

This report is made solely to the Company's members, as a body, in accordance with relevant legislation. 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 Auditors' 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.

Jonathan Bradley-Hoare (Senior Statutory Auditor)
for and on behalf of Welbeck Associates
Chartered Accountants and Statutory Auditor

London
United Kingdom

27 July 2018

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE 18 MONTH PERIOD ENDED 30 June 2018

	Notes	18 months to 30 June 2018 £'000	12 months to 31 December 2016 £'000
Investment income		2	-
Net losses on disposal of investments		(12)	(169)
Net change in fair value of investments		325	455
		315	286
Operating expenses		(260)	(175)
Operating profit	3	55	111
Profit before taxation		55	111
Taxation expense	5	-	-
Profit for the year from continuing operations and total comprehensive income, attributable to owners of the Company		55	111
Profit per share attributable to owners of the Company during the year from continuing and total operations:	6	Pence	Pence
Basic (pence per share)		0.2	0.6
Diluted (pence per share)		0.2	0.6

The accompanying notes form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 June 2018

	Notes	30 June 2018 £'000	31 December 2016 £'000
CURRENT ASSETS			
Financial assets held at fair value through profit or loss	7	2,269	1,274
Trade and other receivables	8	10	7
Cash and cash equivalents		422	274
		2,701	1,555
CURRENT LIABILITIES			
Trade and other payables	9	68	50
Convertible unsecured loan notes	10	10	10
		78	60
NET CURRENT ASSETS		2,623	1,495
NET ASSETS		2,623	1,495
EQUITY			
Share capital	12	3,095	2,985
Share premium		5,886	4,934
Loan note equity reserve	13	6	6
Share option reserve		23	12
Capital reserve		15,736	15,736
Retained earnings		(22,123)	(22,178)
Equity attributable to owners of the Company and total equity		2,623	1,495

The financial statements were approved by the Board and authorised for issue on 27 July 2018

Jacques Vaillancourt
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE 18 MONTH PERIOD TO 30 June 2018

	Share capital £'000	Share premium £'000	Share option reserve £'000	Loan note reserve £'000	Capital reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2016	2,885	4,559	12	6	15,736	(22,289)	909
Total comprehensive income for the year	–	–	–	–	–	111	111
Share issues	100	375	–	–	–	–	475
At 31 December 2016	2,985	4,934	12	6	15,736	(22,178)	1,495
Total comprehensive income for the period	–	–	–	–	–	55	55
Share based payment expense	–	–	11	–	–	–	11
Share issues	110	952	–	–	–	–	1,062
At 30 June 2018	3,095	5,886	23	6	15,736	(22,123)	2,623

STATEMENT OF CASH FLOWS

FOR THE 18 MONTH PERIOD TO 30 June 2018

	18 months to 30 June 2018 £'000	12 months to 31 December 2016 £'000
OPERATING ACTIVITIES		
Profit before taxation	55	111
Adjustments for:		
Share based payment expense	11	–
Loss on disposal of trading investments	12	169
Fair value (gain)/loss on trading investments	(325)	(455)
Investment income	(2)	–
Operating cash flow before working capital changes	(249)	(175)
(Increase) in trade and other receivables	(3)	(1)
Increase in trade and other payables	18	9
Net cash outflow from operating activities	(234)	(167)
INVESTING ACTIVITIES		
Purchase of financial assets	(1,806)	(392)
Disposals of investments	1,124	95
Investment income	2	–
Net cash outflow from investing activities	(680)	(297)
FINANCING ACTIVITIES		
Proceeds of share issues	1,062	475
Net cash outflow from financing activities	1,062	475
Net increase in cash and cash equivalents	148	11
Cash and cash equivalents as at 1 January	274	263
Cash and cash equivalents as at 30 June/ 31 December	422	274

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD TO 30 June 2018

1 GENERAL INFORMATION

The Company was incorporated as a Corporation in the Cayman Islands which does not prescribe the adoption of any particular accounting framework. The Board has therefore adopted International Financial Reporting Standards as adopted by the European Union (IFRSs). The Company's shares are listed on the AIM market of the London Stock Exchange.

The Company is an investment company, mainly investing in natural resources, minerals, metals, and oil and gas projects. The registered office of the Company is as detailed in the Company Information on page 2.

These financial statements are prepared in pounds sterling and rounded to the nearest £'000.

2 PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, and in accordance with International Financial Reporting Standards ("IFRS"), and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. All accounting standards and interpretations issued by the International Accounting Standards Board and IFRIC effective for the periods covered by these financial statements have been applied.

CHANGE IN ACCOUNTING REFERENCE DATE

On 15 June 2018, the Directors agreed to extend the accounting year from 31 December 2017 to 30 June 2018. As a result all the 2018 figures in the accounts refer to the 18 month period to 30 June 2018 and the comparative figures refer to the 12 month period to 31 December 2016.

The principal accounting policies of the Company are set out below, and have been consistently applied to all periods.

GOING CONCERN

The Directors have prepared cash flow forecasts through to 31 December 2019 which assumes no significant investment activity is undertaken unless sufficient funding is in place to undertake the investment activity. The expenses of the Company's continuing operations are minimal and the cash flow forecasts demonstrate that the Company is able to meet these liabilities as they fall due. On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Company's financial statements.

KEY ESTIMATES AND ASSUMPTIONS

Estimates and assumptions used in preparing the financial statements are reviewed on an on-going basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources:

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 Company's share price. These assumptions are then applied to a recognised valuation model in order to calculate the fair value of the awards.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company holds investments that have been designated as held at fair value through profit or loss on initial recognition. Where practicable the Company 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 recognize 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 realized immediately.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD TO 30 June 2018

2 PRINCIPAL ACCOUNTING POLICIES (continued)

STATEMENT OF COMPLIANCE

The financial statements comply with IFRS as adopted by the European Union. The following new and revised Standards and Interpretations have been adopted in the current period by the Company for the first time and do not have a material impact on the Company.

IFRS 5, IFRS 7, IAS 19 Amendments resulting from September 2014 Annual Improvements to IFRSs

IAS 1 Amendments resulting from the disclosure initiative

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and not early adopted. None of these are expected to have a significant effect on the Company's financial statements.

INVESTMENT INCOME

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income on an ex-dividend basis. Interest on fixed interest debt securities is recognised using the effective interest rate method.

TAXATION

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

FINANCIAL ASSETS

The Company's financial assets comprise investments held for trading, cash and cash equivalents and receivables, and are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD TO 30 June 2018

2 PRINCIPAL ACCOUNTING POLICIES (continued)

INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

All investments are designated upon initial recognition as held at fair value through profit or loss (FVTPL). Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IFRS 9. This is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. The fair value of the financial instruments in the balance sheet is based on the quoted bid price at the balance sheet date, with no deduction for any estimated future selling cost. Where practicable unquoted investments are valued by the directors using primary valuation techniques such as recent transactions, last price and net asset value. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Statement of Comprehensive Income as "Net change in fair value of investments"

ASSOCIATED UNDERTAKINGS

Associated undertakings are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Company's investment portfolio are carried in the statement of financial position at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28 "Investment in Associates", which requires investments held by a company as a venture capital provider to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of the change. The Company has no interests in associates through which it carries on its business.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

LOANS AND RECEIVABLES

Loans and receivable from third parties are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

A provision for impairment is made when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. Impaired debts are derecognised when they are assessed as uncollectible.

EQUITY

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

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.

Shares to be issued represent the equity which the Company has committed to issue and which has been issued subsequent to the year end.

The loan note reserve represents the value of the equity component of the nominal value of the loan notes issued.

The capital reserve represents amounts arising in connection with reverse acquisitions.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income together with the cumulative amount of share based expenses transferred to equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD TO 30 June 2018

2 PRINCIPAL ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance cost in the income statement using the effective interest rate method.

The Company's financial liabilities comprise convertible loan notes, and trade and other payables.

The fair value of the liability portion of the convertible loan notes is determined using a market interest rate for an equivalent non-convertible loan note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan notes. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity, net of tax effects.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

SHARE BASED PAYMENTS

The Company operates equity settled share based remuneration plans for the remuneration of its employees.

All services received in exchange for the grant of any share based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Share based payments are ultimately recognised as an expense in the income statement with a corresponding credit to retained earnings in equity, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense or share issue cost recognized in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Where share options are cancelled, this is treated as an acceleration of the vesting period of the options. The amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately within profit or loss.

FOREIGN CURRENCIES

The Directors consider Sterling to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the income statement. Non-monetary items that are measured at historical costs in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD TO 30 June 2018

2 PRINCIPAL ACCOUNTING POLICIES (continued)

SEGMENTAL REPORTING

A segment is a distinguishable component of the Company's activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company'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 Company's investment activities as a whole, the directors have identified a single operating segment, that of holding and trading in investments in natural resources, minerals, metals, and oil and gas projects. The directors consider that it would not be appropriate to disclose any geographical analysis of the Company's investments.

3 OPERATING PROFIT

	2018 £'000	2016 £'000
Profit from operations is arrived at after charging:		
Auditors' remuneration:		
- fees payable to the Company's auditors and its associates for the audit of the Company's financial statements	12	10

4 EMPLOYEE REMUNERATION

The expense recognised for employee benefits is analysed below:

	2018 £'000	2016 £'000
Wages and salaries	89	67
	89	67

Details of Directors' employee benefits expense are included in the Report on Remuneration on page 11.

Remuneration for key management of the Company, including amounts paid to Directors of the Company, is as follows:

	2018 £'000	2016 £'000
Short-term employee benefits	89	67
	89	67

5 TAXATION

No provision has been made in respect of current taxation or deferred taxation as the Company is domiciled in the Cayman Islands and no corporation tax is applicable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD TO 30 June 2018

6 EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2018 £'000	2016 £'000
Profit attributable to owners of the Company		
<u>- Continuing and total operations</u>	<u>55</u>	<u>111</u>
	2018	2016
Weighted average number of shares for calculating basic and fully diluted earnings per share*	33,661,491	17,941,666

Profit per share from continuing and total operations		
- Basic (pence per share)	0.2	0.6
<u>- Fully diluted (pence per share)*</u>	<u>0.2</u>	<u>0.6</u>

* The weighted average number of shares used for calculating the diluted loss per share is the same as that used for calculating the basic loss per share as the effect of exercise of the outstanding share options would be anti-dilutive.

7 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 £'000	2016 £'000
1 January - Investments at fair value	1,274	691
Cost of investment purchases	1,806	392
Proceeds of investment disposals	(1,124)	(95)
Loss on disposal of investments	(12)	(169)
Fair value adjustment	325	455
<u>31 December - Investments at fair value</u>	<u>2,269</u>	<u>1,274</u>
Categorised as:		
Level 1 - Quoted investments	1,342	189
Level 3 - Unquoted investments	927	1,085
	2,269	1,274

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD TO 30 June 2018

7 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The Company has adopted 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 in Level 1.

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

LEVEL 3 investments

Reconciliation of Level 3 fair value measurement of investments

	2018 £'000	2016 £'000
Brought forward	1,085	515
Purchases	683	339
Disposals	(1,022)	–
Fair value adjustment	181	231
Carried forward	927	1,085

Level 3 valuation techniques used by the Company are explained on page 21 (Fair value of financial instruments)

The Company's two largest Level 3 investments are Cap Energy plc. and TH Crestgate GmbH.

CAP ENERGY PLC

The Company has a 1.3% interest in Cap Energy which has been valued at the issue price of shares in Cap Energy's last fund raise in March 2016.

TH CRESTGATE GMBH ("THC")

Investments in THC include both debt and equity instruments which are carried at cost.

The Company has a 49% interest in THC. While the directors consider that the fair value of the Company's interest in THC is in excess of cost its underlying assets are at an early stage of development and so a fair value is difficult to determine.

8 TRADE AND OTHER RECEIVABLES

	2018 £'000	2016 £'000
Prepayments	10	7
Total	10	7

The fair value of trade and other receivables is considered by the Directors not to be materially different to carrying amounts.

At the balance sheet date in 2018 and 2016 there were no trade and other receivables past due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD TO 30 June 2018

9 TRADE AND OTHER PAYABLES

	2018 £'000	2016 £'000
Trade payables	18	25
Other payables	18	7
Accrued charges	32	18
Total	68	50

The fair value of trade and other payables is considered by the Directors not to be materially different to carrying amounts.

10 CONVERTIBLE UNSECURED LOAN NOTES

The outstanding convertible loan notes are zero coupon, unsecured and unless previously purchased or converted they are redeemable at their principal amount at any time on or after 31 December 2014.

The net proceeds from the issue of the loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Company as follows:

	2018 £'000	2016 £'000
Liability component at beginning and end of period	10	10

The Directors estimate the fair value of the liability component of the loan notes at 30 June 2018 to be approximately £10,000 (2016: £10,000)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD TO 30 June 2018

11 SHARE OPTIONS

On 31 January 2017 the Company granted 600,000 options to directors and employees, exercisable at 7.50p per share. At the year end all these options had vested and are exercisable at any time prior to the fifth anniversary of the date of grant.

The fair value of the options granted during the year was determined using the Black-Scholes pricing model. The significant inputs to the model in respect of the options were as follows:

Date of grant	31 January 2017
Share price at date of grant	5.50p
Exercise price per share	7.50p
No. of options	600,000
Risk free rate	1.0%
Expected volatility	50%
Life of option	5 years
Calculated fair value per share	1.9245p

The share based payment charge for the year was £11,000 (2016: £Nil).

The movements on share options and their weighted average exercise price are as follows:

	2018		2016	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	500,000	7.89	500,000	7.89
Granted	600,000	7.50	–	–
Exercised	(295,000)	7.45	–	–
Outstanding at 30 June/ 31 December	805,000	7.65	500,000	7.89

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD TO 30 June 2018

12 SHARE CAPITAL

	Number of shares	Nominal Value £'000	Share premium £'000
AUTHORISED			
At 31 December 2016 and 30 June 2018			
Ordinary shares of 1p each	160,000,000	1,600	
Deferred shares of 24p each	35,000,000	8,400	
		10,000	
ISSUED AND FULLY PAID			
At 31 December 2015:			
Ordinary shares of 1p each	14,034,562	140	
Deferred shares of 24p each	11,435,062	2,745	
		2,885	4,559
Ordinary shares issued in year	10,000,000	100	375
At 31 December 2016:			
Ordinary shares of 1p each	24,034,562	240	
Deferred shares of 24p each	11,435,062	2,745	
		2,985	4,934
Ordinary shares issued in period	11,003,333	110	952
At 30 June 2018:			
Ordinary shares of 1p each	35,037,895	350	
Deferred shares of 24p each	11,435,062	2,745	
		3,095	5,886

The restricted rights of the deferred shares are such that they have no economic value.

On 20 February 2017, 4,375,000 new ordinary shares were issued for cash at 8p per share as the result of a private placing.

On 28 February 2017, 3,000,000 new ordinary shares were issued for cash at 10p per share as the result of a private placing.

On 17 March 2017, 3,333,333 new ordinary shares were issued for cash at 15p per share as the result of a private placing.

On 21 December 2017, 110,000 shares and 185,000 shares were issued for cash at 7.5p and 7.89p respectively as the result of the exercise of options.

13 LOAN NOTE EQUITY RESERVE

	2018 £'000	2016 £'000
Equity component of convertible loan notes at 1 January	6	6
Equity component of convertible loan notes at 30 June/ 31 December	6	6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD TO 30 June 2018

14 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

MARKET PRICE RISK

The Company's exposure to market price risk mainly arises from potential movements in the fair value of its investments. The Company manages this price risk within its long-term investment strategy to manage a diversified exposure to the market. If each of the Company's equity investments were to experience a rise or fall of 10% in their fair value, this would result in the Company's net asset value and statement of comprehensive income increasing or decreasing by £228,000 (2016: £127,000).

FOREIGN CURRENCY RISK

The Company's exposure to foreign currencies is limited to its investments which are quoted on overseas stock markets in currencies other than Pounds Sterling and is not material.

CREDIT RISK

The Company's financial instruments, which are exposed to credit risk, are considered to be mainly cash and cash equivalents and the Company's receivables are not material. The credit risk for cash and cash equivalents is not considered material since the counterparties are reputable banks.

The Company's exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	2018 £'000	2016 £'000
Cash and cash equivalents	422	274
Other receivables	–	–
	422	274

LIQUIDITY RISK

Liquidity risk is managed by means of ensuring sufficient cash and cash equivalents are held to meet the Company's payment obligations arising from administrative expenses.

CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Company's growth; and
- to provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 18 MONTH PERIOD TO 30 June 2018

15 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS BY CATEGORY

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

	2018 £'000	2016 £'000
Financial assets:		
Cash and cash equivalents	422	274
Investments held at fair value through profit and loss	2,269	1,274
	<u>2,691</u>	<u>1,548</u>

FINANCIAL LIABILITIES BY CATEGORY

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

	2018 £'000	2016 £'000
Financial liabilities at amortised cost:		
Convertible unsecured loan notes	10	10
Trade and other payables	36	32
	<u>46</u>	<u>42</u>

16 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments at 30 June 2018 or 31 December 2016.

17 POST YEAR END EVENTS

There have been no material post year end events.

18 RELATED PARTY TRANSACTIONS

Details of the directors' remuneration and the options granted to directors are disclosed in the remuneration report on page 11.

19 ULTIMATE CONTROLLING PARTY

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