

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

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Armadale Capital Plc

('Armadale' the 'Company' or the 'Group')

Mahenge Project Update

Armadale, the AIM quoted investment company focused on natural resource projects in Africa, is pleased to announce that it has made further progress advancing towards commercial production at the Mahenge Liandu Project in Tanzania. This is an important strategic development as part of ongoing plans to expedite the path to commissioning commercial mining operations. Furthermore, the Company notes the improved investment climate which brings with it increased potential to attract development funding in Tanzania. Armadale notes the significant progress made at the neighbouring Black Rock Resources project over the last 12 months.

Project Update

The Board has accelerated the development of the mining lease at the Mahenge Liandu Project on several fronts, which collectively enhance the progression towards commercial mining operations:

- The Group continues to collect environmental baseline data as is required for the compliance of the mining lease and to assist in the design and planning of the proposed mining operations. In addition, the base line data for temperature, pressure, wind, moon phase, humidity, solar radiation, rainfall and stream flow data assists the local community to have access to regional weather data for local planning requirements in the Mahenge region.
- Planning is underway for Geotech drilling to commence this dry season, with the sites now prepared for the drill rig. The information from the proposed drilling program will enable the design of a plant and tails storage area. This information will enhance the data from the test pits that were completed last year.
- Logistics routes for the product continue to be assessed to determine the optimum methods to ensure the final product will enter the market at the desired price level.
- Discussions are ongoing with the Government of Tanzania regarding the framework for the 16% ownership, with draft Shareholder agreements, Articles of Association and Joint Financial model being submitted to both parties for review.

Project Funding

The Group is continuing discussions with several potential financing partners regarding the debt funding required for project development. Moreover, significantly improved market fundamentals and conditions for graphite has seen an increase in interest from stakeholders capable of providing long-term project finance.

Graphite prices have continued to increase due to strong ongoing demand from the EV sector, while Benchmark Mineral Intelligence see further price upside due to a potential supply deficit materialising in 2023. Current prices are materially above the level used in the company's feasibility study.

Integral to securing project funding is lining up future off-take partners. With the post-Covid improvement in graphite market fundamentals globally, the Board has commenced re-engaging with prospective end-users which are located in Europe and China.

Nick Johansen, Director of Armadale, said: "With the global graphite market in the midst of a cyclical upswing, due to strong underlying fundamentals stemming from the buoyant EV sector, the Board remains squarely focused on progressing

strong underlying fundamentals stemming from the buoyant EV sector, the Board remains squarely focused on progressing plans to secure the framework agreement with the Tanzanian government regarding the 16% ownership. More importantly, the Board is re-doubling efforts to secure long-term project finance from a reputable provider and lining up off-take partners to generate a clear road map to commissioning a viable commercial mining operation."

Mahenge Liandu Project Summary

The feasibility study completed in March 2020 confirms the potential for Mahenge Liandu to be a significant supplier of high quality graphite with a relatively low capex.

- US\$882m pre-tax cashflow generated from initial 17 year mine life utilises just 25% of the resource, which remains open in multiple directions offering significant further upside;
- Estimated pre-tax NPV of US\$358m and IRR of 91% with scope for further positive improvement upon economics in near-term through delivery of optimised DFS
- Staged ramp-up planned to facilitate near term production with 60,000tpa graphite concentrate to be produced for the first four years (Stage 1) before increasing to 90,000tpa (Stage 2)
- Capital cost estimate for Stage 1 is US\$38.6m, which includes a contingency of US\$4.1m or 15% of total direct capital cost, a slight increase on the scoping study allowing for the staged ramp up
- 1.6 year payback for Stage 1 (after tax) based on an average sales price of US\$1,179/t
- Stage 2 expansion is expected to be funded from cashflow.

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