SOVEREIGN MINES OF AFRICA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2017

Registered in England & Wales
Company number 07139678

SOVEREIGN MINES OF AFRICA PLC

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Year ended 31 December 2017

Contents

SOVEREIGN MINES OF AFRICA PLC

OFFICERS AND ADVISERS

Directors
C G Clarke
J A S Sparrow
R M Fraser (resigned 23 October 2017)
R H D Street (resigned 30 May 2017)

Registered Office
Lakeside
Fountain Lane
St Mellons
Cardiff
CF3 0FB

Company Secretary
B W James, FCCA

Company Registration Number
07139678

Auditor
Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Registrars
Share Registrars Limited
The Courtyard
17 West Street
Farnham
Surrey, GU9 7DR

Corporate Advisor and Broker
Allenby Capital Limited
5 St Helen’s Place
London EC3A 6AB

SOVEREIGN MINES OF AFRICA PLC

CHAIRMAN'S STATEMENT

Year ended 31 December 2017

In early 2017, SMA completed the sale of its 75% interest in the Mandiana Gold Project ("Mandiana") in Republic of Guinea, WA to Volcanic Gold Mines Inc. ("Volcanic") (previously Volcanic Metals Corp.), a Canadian publicly listed mining company. This sale resulted in the Company receiving 2,502,489 common shares in Volcanic, representing 9.9% of the outstanding share capital of Volcanic to be held for such time to maximise shareholder value. During the year these shares were sold for a net consideration of CAD$965,776 (£585,720).

As a result of the sale of its Mandiana assets, the Company was classified as an AIM Rule 15 cash shell and was required to make an acquisition, which would constitute a reverse takeover under AIM Rule 14, in order to continue trading on AIM. The Company considered a number of assets but was unable to secure a suitable acquisition that would deliver sufficient value to shareholders before 31 July 2017 and the shares were suspended from trading on AIM as a result.

On 28 September 2017, the Company signed a Memorandum of Understanding ("MOU") with an Indian business to acquire its specialist eyewear manufacturing company. However, it ultimately proved impossible to manage the differing regulatory and tax requirements to the satisfaction of both parties and reach mutually acceptable terms and the deal was unable to proceed.

The Board continued to assess other acquisition opportunities and in January 2018 announced it has signed non-binding Heads of Terms with Turf to Table Limited ("Turf to Table"), a boutique hospitality group focused on premium gastropubs, inns and function spaces in Gloucestershire and Oxfordshire, for the acquisition of its three gastropubs and their 38 hotel rooms. Turf to Table's proposition is led by excellence in food and service, showcasing the best of English produce with a convivial atmosphere and modern style. The Board continues to progress work on this potential acquisition and hopes to be able to update shareholders in the near future.

As the Company did not complete a reverse takeover under the AIM Rules before 22 January 2018, within a year of the Company becoming an AIM Rule 15 cash shell, the Company's shares ceased to be admitted to trading on AIM on 22 January 2018.

As a result of selling its shares in Volcanic the Company had net income for the year of £213,738 (2016 loss: £201,547). The Company had cash resources of £615,108 at 31 December 2017 which will provide sufficient finance to cover the Company's ongoing expenditure for the foreseeable future.

Towards the end of the year, Rupert Fraser stepped down from his role as non-executive Director to the Company. However, he remains actively involved with the Company in his capacity as a valued shareholder as it moves forward. The Board will continue to review its composition to ensure its suitability for the future direction of the Company.

C G Clarke
Chairman

23rd May 2018

STRATEGIC REPORT

Year ended 31 December 2017

The Directors present their strategic report on the Company for the year ended 31 December 2017.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The principal activity of the Company in the period under review was that of a cash shell company that was listed on the AIM Market of the London Stock Exchange until 22 January 2018. The Company's profit after taxation for the year to 31 December 2017 amounted to £213,738 (2016 loss: £201,547).

No dividends were paid during the year and none are proposed.

A review of the activity of the business and likely future prospects is contained in the Chairman's Statement on page 4 of these financial statements.

KEY PERFORMANCE INDICATORS

The key indicator of performance for the Company is its success in identifying, acquiring, developing and divesting investments in projects so as to create shareholder value.

Control of bank and cash balances is a priority for the Company and these are budgeted and monitored closely to ensure that it maintains adequate liquid resources to meet financial commitments as they arise.

At this stage in its development, quantitative key performance indicators are not an effective way to measure the Company's performance. However, a qualitative summary of performance in the period is included in the Chairman's Statement.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

a) Currency risk

The Company does not operate internationally and its exposure to foreign exchange risk is limited to the transactions and balances that are denominated in currencies other than Pounds Sterling.

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. The Company ensures it has adequate resource to discharge all its liabilities. The directors have considered the liquidity risk as part of their going concern assessment. (See note 2).

c) Cash flow interest rate risk

The Company has no significant interest-bearing liabilities and assets. The Company monitors the interest rate on its interest bearing assets closely to ensure favourable rates are secured.

d) Capital risk management

The Company manages its capital to ensure that entities within the Company will be able to continue individually as going concerns, while maximising the return to Shareholders through the optimisation of debt and equity balances. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust or issue new shares or raise debt. No changes were made in the objectives, policies or processes during the period ended 31 December 2016.

e) Credit risk

The Company does not have any major concentrations of credit risk related to any individual customer or counterparty.

The Company's financial assets comprise receivables and cash and cash equivalents. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The exposure of the Company to credit risk arises from default of its counterparty, with maximum exposure equal to the carrying amount of cash and cash equivalents in the Company's Statement of Financial Position. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are connected entities.

The Company does not hold any collateral as security.

On behalf of the board

C G Clarke
Chairman

23rd May 2018

SOVEREIGN MINES OF AFRICA PLC

DIRECTORS' REPORT

Year ended 31 December 2017

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

DIRECTORS

The Directors who have held office during the period are listed on page 3. Their interests in the Company's issued ordinary share capital are as follows:

Director	**At 31 December 2017 Shares held**	**At 31 December 2017 Options/Warrants**	At 31 December 2016 Shares held	At 31 December 2016 Options
C G Clarke	100,000,000	125,000,000	100,000,000	125,000,000
R M Fraser	125,000,000	125,000,000	125,000,000	125,000,000
J A S Sparrow	-	22,000,000	-	22,000,000

Details of the remuneration paid to the Directors are disclosed in Notes 5 and 17 to the financial statements.

DIRECTORS INDEMNITY

The Company's articles of association provide, subject to the provisions of UK legislation, that the Company may indemnify any Director in respect of any losses, charges, expenses or liabilities that may be incurred in relation to his duties/powers/office including any liabilities incurred to defend any legal proceedings brought against him as an office or employee of the Company in which judgement is given in his favour or he is acquitted.

GOING CONCERN

These consolidated financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the reasons given in Note 3 to the financial statements.

CORPORATE GOVERNANCE

Sovereign Mines of Africa's Board of Directors and management strongly support the principles of good corporate governance, and are committed to building the Company's reputation for integrity. For the financial year ended 31 December 2017, due to the size of the Company the Board did not consider it appropriate to follow the provisions of the Corporate Governance Code for Small and Mid-size Quoted Companies (the "QCA code") but followed governance procedures appropriate to the Company's size, having due regard to the principles of the QCA Code.

CORPORATE GOVERNANCE (continued)

The Board of Directors comprises one executive director and two non-executive directors. The Board, through the Chairman and non-executive director, maintain regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

The Board meets at least four times a year. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Where applicable day-to-day management is devolved to the managing director of any subsidiary who is charged with consulting with the Board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation among Directors concerned where necessary and appropriate.

All necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Company's expense, as and when required.

The participation of both private and institutional investors at the Annual General Meeting is welcome by the Board.

Health and safety

The Company takes the health and safety of its employees and contractors seriously, and strives to exceed statutory obligations and achieve best practice.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss 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 as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

- 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 Company website www.sovmines.com. The work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INFORMATION SET OUT IN THE STRATEGIC REPORT

In accordance with section 414c of the Companies Act 2006, the Directors have chosen to set out the following information in the Strategic report which would otherwise be required to be contained in the Directors' report:

- Financial risk management; and
- Likely future developments

POST BALANCE SHEET EVENTS

On 15 January 2018, the Company announced that it had signed non-binding Heads of Terms with Turf to Table Limited, a boutique hospitality group focused on premium gastropubs, inns and function spaces in Gloucestershire and Oxfordshire, for the acquisition of its three gastropubs and their 38 hotel rooms. The Board continues to progress work on this potential acquisition and hopes to be able to update shareholders in the near future.

SOVEREIGN MINES OF AFRICA PLC

DIRECTORS' REPORT

Year ended 31 December 2017

POLITICAL DONATIONS

The Company has not made donations to any political party or other political organisation in the EU during the period.

AUDITORS

The auditors, Crowe Clark Whitehill LLP, will be proposed for re-appointment in accordance with Section 489 of the Companies Act 2006.

On behalf of the board:

C G Clarke

23rd May 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

SOVEREIGN MINES OF AFRICA PLC

Opinion

We have audited the financial statements of Sovereign Mines of Africa Plc for the year ended 31 December 2017 which comprise Statement of Comprehensive Income, the Statement of Financial Position, the Cash flow Statement, the Statement of Changes in Equity 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.

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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

SOVEREIGN MINES OF AFRICA PLC

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.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

SOVEREIGN MINES OF AFRICA PLC

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 8 and 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Stephen Bullock
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
St Bride's House
10 Salisbury Square
London, EC4Y 8EH

Date 23 May 2018

SOVEREIGN MINES OF AFRICA PLC

INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	2017 £	2016 £
Administrative expenses	6	**(370,922)**	(207,683)
Loss on disposal of available for sale asset	7	**(71,480)**	-
Profit on disposal of investment	7	**656,140**	6,136
Profit/(loss) on ordinary activities before taxation		**213,738**	(201,547)
Tax on loss on ordinary activities	9	**-**	-
Profit/(loss) for the financial period		**213,738**	(201,547)
Profit/(loss) for the period attributable to owners of the parent		**213,738**	(201,547)
Total comprehensive income/(loss) for the period attributable to owners of the parent		**213,738**	(201,547)
Earnings/(loss) per ordinary share (pence)			
From continuing operations:			
Basic	10	**0.03p**	(0.02)p
Diluted		**0.02p**	(0.02)p

The notes on pages 18 to 33 form an integral part of these financial statements.

SOVEREIGN MINES OF AFRICA PLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 £	2016 £
NON CURRENT ASSETS			
Investments	11	**-**	-
		-	-
CURRENT ASSETS			
Other receivables	13	**13,529**	2,438
Cash at bank		**615,108**	399,446
		628,637	401,884
TOTAL ASSETS		**628,637**	**401,884**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**50,857**	49,883
TOTAL LIABILITIES		**50,857**	49,883
NET ASSETS		**577,780**	**352,001**
SHAREHOLDERS EQUITY			
Share capital	15	**3,163,589**	3,163,589
Share premium account	15	**5,563,520**	5,563,520
Share-based payment reserve	16	**702,167**	690,126
Profit and loss account		**(8,851,496)**	(9,065,234)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**577,780**	**352,001**

The financial statements on pages 14 to 33 were approved and authorized, for issue by the Board of Directors on 23rd May 2018.

Signed on behalf of the Board of Directors

Gil Clarke

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C G Clarke

Director

Registered in England & Wales with company number 07139678

The notes on pages 18 to 33 form an integral part of these financial statements.

SOVEREIGN MINES OF AFRICA PLC

COMPANY STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	2017	2016
	£	£
Cashflow generated by/(used in) operating activities		
Profit/(loss) before taxation	**213,738**	(201,547)
Loss on disposal of available for sale assets	**71,480**	-
Profit on disposal of investment	**(656,140)**	(6,136)
Share-based payment expense	**12,041**	89,821
Increase in other receivables	**(11,091)**	(2,438)
Increase in trade and other payables	**974**	12,440
	(368,998)	(107,860)
Cash flows from investing activities		
Proceeds of sale of available for sale assets	**584,660**	6,136
Net increase/(decrease) in cash and cash equivalents	**215,662**	(101,724)
Cash and cash equivalents at beginning of period	**399,446**	501,170
Cash and cash equivalents at end of period	**615,108**	399,446

The sale of the Company's Mandiana Gold Project (see note 7) in consideration for the receipt of shares in Volcanic Gold Mines Inc. represents a significant non-cash transaction in the period.

The notes on pages 18 to 33 form an integral part of these financial statements

SOVEREIGN MINES OF AFRICA PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

2017	Share capital	Share premium	Share based payment reserve	Profit & loss account	Total
	£	£	£	£	£
Balance at 1 January 2017	3,163,589	5,563,520	690,126	(9,065,234)	**352,001**
Total comprehensive Income for the year	-	-	-	213,738	**213,738**
Share-based payment expense	-	-	12,041	**-**	**12,041**
Balance at 31 December 2017	**3,163,589**	**5,563,520**	**702,167**	**(8,851,496)**	**577,780**

2016	Share capital	Share premium	Share based payment reserve	Profit & loss account	Total
	£	£	£	£	£
Balance at 1 January 2016	3,163,589	5,563,520	600,305	(8,863,844)	**463,570**
Total comprehensive loss for the year	-	-	-	(201,390)	**(201,390)**
Share-based payment expense	-	-	89,821	**-**	**89,821**
Balance at 31 December 2016	**3,163,589**	**5,563,520**	**690,126**	**(9,065,234)**	**352,001**

The notes on pages 18 to 33 form an integral part of these financial statements.

1. NATURE OF OPERATIONS

These financial statements are for Sovereign Mines of Africa Plc (“the Company”). The Company has its registered office at Lakeside, Fountain Lane, St Mellons, Cardiff, CF3 0FB and is domiciled in England and Wales and incorporated under the Companies Act 2006. The nature of the Company’s operations and its principal activities are set out in the Director’s report on page 8. The principal place of business of the Company is in the United Kingdom.

2. BASIS OF ACCOUNTING

The accounting policies, applied on a consistent basis in the preparation of the financial statements, are as follows:

Basis of preparation - general

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as adopted for use in the European Union.

The financial statements present the results of the Company.

These financial statements are presented in GBP Sterling, which is the Company’s functional currency.

Basis of preparation - going concern

Although the Company’s assets are not generating revenues and an operating loss has been reported, the Company had cash resources of £615,108 at 31 December 2017 which will provide sufficient finance to cover the Company’s ongoing expenditure for the foreseeable future.

New standards, amendments and interpretations effective from 1 January 2017

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2017 have had a material impact on the Company.

New standards and interpretations not yet effective

The following relevant new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2017, as adopted by the European Union, and have not been early adopted:

Standard/Amendments		**Effective Date***
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	1 January 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	1 January 2018
IFRS 16	Leases	1 January 2019

* Effective for annual periods beginning on or after this date

The Directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Company's reported results.

3. ACCOUNTING POLICIES

Investments in subsidiaries

Investments in subsidiaries held as non-current assets are stated at cost less provision for any impairment in value in the Company's Statement of Financial Position.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest rate method ("EIR").

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Subsequent gains and losses on re-measurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and investments are no longer amortised or depreciated.

Impairment of non-financial assets

The Directors assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Directors estimate the asset's recoverable amount. An asset's recoverable amount will be the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset will be considered impaired and will be written down to its recoverable amount. In assessing value in use, the estimated future cash flows will be discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model will be used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Directors make an estimate of the recoverable amount. A previously recognised impairment loss will be reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset will be increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Trade and other receivables

Trade and other receivables will arise from normal commercial sales by the Company and will be classified as 'loans and receivables'. These will be recognised at invoice value adjusted for any allowance for impairment. Impairment and any reversal will be recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Company's loans and receivables include cash and cash equivalents. These include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within current liabilities in the statement of financial position.

Financial liabilities

The Company's financial liabilities comprise:

Trade and other payables

These are initially recognised at invoiced value. These will arise principally from the receipt of goods and services. There will be no material difference between the invoiced value and the value calculated on an amortised cost basis.

The individual financial information will be presented in the currency of the primary economic environment in which the entity operates (its functional currency). The UK Pound Sterling is the presentation currency for Sovereign Mines of Africa Plc and the Company's financial information. The functional currency of the Company is Sterling.

In preparing the financial statements, transactions in currencies other than the entity's functional currency ("foreign currencies") will be recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies will be retranslated at the rates prevailing at the balance sheet date. Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items will be included in the statement of comprehensive income for the period.

Taxation

Income tax expense or taxation recoverable represents the sum of the tax currently payable or recoverable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income 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 Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial information 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it will 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 realised using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly in other comprehensive income, in which case the deferred tax is also be dealt with in other comprehensive income.

Operating profit and loss
Operating profit and loss comprises revenues less operating costs. Operating costs comprise adjustments for raw materials and consumables used, employee costs, amortisation, depreciation and impairment and other operating expenses.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks.

Share-based payments

Equity-settled share-based payments to Directors are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 16.

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 Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Critical accounting judgements and estimates
The Directors make assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The assumptions that will have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Going concern
The Company's ability continue as a going concern will dependent upon its ability to meet its obligations as they fall due. Accordingly, the Directors assess the expected future cash flows having regard to the Company's ability to do so, either from existing financial resources or by raising additional funds to either continue its exploration programmes or to realise its exploration assets.

4. OPERATING SEGMENTS

Operating segments are based on internal reports about components of the Company, which are regularly reviewed by the Chairman being the Chief Operating Decision Makers ("CODM") for strategic decision making and resource allocation in order to allocate resources to the segment and to assess its performance.

The Company undertakes only one business activity as described in the Director's report. All transactions between each reportable segment are accounted for using the same accounting policies as the Company uses, as set out in Note 3. Accordingly, the Company's operating segments have been determined based on geographical areas.

As noted in Note 7, during the year the group disposed of its 75% interest in the Mandiana Gold Project ("Mandiana") in Republic of Guinea, West Africa to Volcanic Gold Mines Inc. ("Volcanic") (previously Volcanic Metals Corp), a Canadian publicly listed mining company. The profit on disposal has been included within the 'Guinea' segment below.

The Company's results by reportable segment are as follows:

As at 31 December 2017	**UK £**	**Guinea £**	**Total £**
RESULTS			
(Loss)/profit for the period attributable to owners of the parent	(442,402)	656,140	**213,738**
Interest income	-	-	**-**

As at 31 December 2016	**UK £**	**Guinea £**	**Total £**
RESULTS			
Operating loss	(207,526)	(157)	**(207,683)**
Interest income	6,136	-	**6,136**

All transactions between each reportable segment are accounted for using the same accounting policies as the Company uses, as set out in Note 3. The Company's assets and liabilities by reportable segment are as follows: -

As at 31 December 2017	**UK £**	**Guinea £**	**Total £**
ASSETS			
Cash	615,108	-	**615,108**
Intangible assets	-	-	**-**
Total assets	628,637	-	**628,637**
LIABILITIES			
Trade and other payables	50,857	-	**50,857**

As at 31 December 2016	**UK £**	**Guinea £**	**Total £**
ASSETS			
Cash	399,446	-	**399,446**
Intangible assets	-	-	**-**
Total assets	401,884	-	**401,884**
LIABILITIES			
Trade and other payables	49,883	-	**49,883**

5. STAFF COSTS

As at 31 December	2017 £	2016 £
Share based payment expense	**12,041**	**89,821**
	12,041	**89,821**

The average monthly number of employees during the year was as follows:

As at 31 December	2017 Number	2016 Number
Directors	**2**	3
	2	3

No Directors' emoluments were paid during the year. Details of transactions with Directors are set out in Note 19 to the financial statements.

Jeremy Sparrow is not taking any fees in relation to his role as Non-executive Director and has in lieu of such been granted 22,000,000 share warrants. Each warrant entitles him to subscribe for one Ordinary Share at the price of 0.23 pence per share. 11,000,000 warrants may be exercised from 28 July 2016 until 29 July 2021. The remaining 11,000,000 warrants are exercisable on the execution of a reverse takeover by the Company. See Note 16 for further details.

6. OPERATING PROFIT/(LOSS) IS STATED AFTER CHARGING:

As at 31 December	2017 £	2016 £
Share-based payments	**12,041**	**89,821**
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**8,000**	**8,000**

7. LOSS ON DISPOSAL

On 20 January 2017, the Company sold its 75% interest in the Mandiana Gold Project ("Mandiana") in Republic of Guinea, West Africa to Volcanic Gold Mines Inc. ("Volcanic"), a Canadian publicly listed mining company. In consideration for the sale, the Company received 2,502,489 common shares in Volcanic representing 9.9% of the outstanding share capital of Volcanic at the time of transaction.

The gain on disposal of £656,140 is calculated as the difference between the fair value of the consideration and the book value at the date of disposal.

The fair value (the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction) of the Volcanic shares on 20 January was £656,140 (2,502,489 at CAD$ 0.43 per share translated at the exchange rate on the day of CAD$/GBP 1.64). The book value of the asset was nil as a result of it being fully written down in 2015.

The shares in Volcanic referred to above were classified as an 'Available for Sale' financial asset on initial recognition in accordance with IAS 39 'Financial Instruments: recognition and measurement' and recognised at fair value of £656,140. All shares have been sold at the balance sheet date for a total consideration of £584,661 resulting in a loss of disposal of £71,480.

8. FINANCE INCOME

As at 31 December	**2017** **£**	2016 £
Bank interest	**-**	6,136

9. TAXATION

As at 31 December	**2017**	2016
	£	£
Analysis of the tax charge:		
Current tax:		
Total tax charge in the income statement	**-**	-
	-	-

As at 31 December	**2017**	2016
	£	£
Reconciliation of the tax charge:		
Current tax:		
Profit/(loss) before tax	**213,738**	**(201,547)**
Profit/(loss) before tax multiplied by standard rate of corporation tax (19%) (2016: 20%)	**40,610**	**(40,309)**
Effects of:		
Non-deductible costs	**(2,539)**	**18,169**
Deferred tax not provided	**(38,071)**	**22,140**
Total tax charge in the income statement	**-**	-

A deferred tax asset has not been recognised in respect of deductible temporary differences relating to losses carried forward at the year-end, as there is insufficient evidence that taxable profits will be available in the foreseeable future against which the deductible temporary difference can be utilised. The amount of the asset not recognised is £481,685 (2016: £569,446).

The assets would be recovered if the Company made taxable profits in future years.

10. EARNINGS/(LOSS) PER SHARE

	2017	2016
Weighted average number of ordinary shares in issue - basic	**860,858,955**	860,858,955
Dilutive potential ordinary shares	**150,000,000**	150,000,000
Diluted	**1,010,858,955**	1,010,858,955
Profit/(loss) after taxation (£)	**213,738**	(201,547)
Basic Earnings/(loss) per share (pence)		
Basic	**0.03**	(0.02)
Diluted	**0.02**	(0.02)

Due to there being a loss in the year ended 31 December 2016, the share options and warrants were anti-dilutive and therefore the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

11. INVESTMENTS

	Investments and long term loans in subsidiary undertakings £
Cost	
At 31 December 2017	6,124,916
Additions	-
At 31 December 2016	6,124,916
Additions	656,140
Disposals	(6,124,916)
At 31 December 2017	**-**
Impairment	
1 January 2017	6,124,916
Impairment charge	-
At 31 December 2016	6,124,916
Disposals	(6,124,916)
At 31 December 2017	**-**
Net book value as at 31 December 2017 and 2016	**-**

See Note 7 for details of the disposal during the year.

12. TRADE AND OTHER PAYABLES

As at 31 December	**2017** £	2016 £
Trade Payables	**657**	-
Accruals	**33,700**	49,883
	50,857	49,883

13. OTHER RECEIVABLES

As at 31 December	**2017** £	2016 £
Prepayments	**3,320**	2,438
VAT recoverable	**10,208**	-
	13,528	2,438

14. FINANCIAL INSTRUMENTS

The Company use financial instruments such as trade receivables and payables and other items that arise directly from their operations. The main purpose of these financial instruments is to help finance the Company's operations.

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Company's financial instruments, which are recognised in their respective statements of financial position, comprise financial assets at fair value recognised through profit and loss, cash and cash equivalents, receivables and payables. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes below, where applicable.

The Company do not generally enter into derivative transactions (such as interest rate swaps and forward foreign currency contracts) and it is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

There were no financial instruments not recognised in the statements of financial position of the Company.

Financial instruments by category

Assets per statement of financial position

As at 31 December	**2017** **£**	2016 £
Prepayments	**3,320**	2,438
VAT recoverable	**10,208**	-
Cash and cash equivalents	**615,108**	399,446

The carrying value of the loans and receivables are a reasonable approximation of their fair value.

Liabilities per statement of financial position
The accruals are not financial liabilities.

The Directors consider the carrying value of the financial assets to approximate their fair values.

Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and cash flow interest-rate risk. These risks are limited by the Company's financial management policies and practices described below:

(a) Foreign currency exchange risks
The Company does not hedge its foreign currencies. The directors believe that the contracts for transfers of funds to Guinea are so small, there would be no benefit gained from hedging these contracts on the market. The situation is monitored on a regular basis. Transactions with vendors are mainly denominated in a number of currencies. Therefore, the directors consider that the currency exposure arising from these transactions is not significant to the Company. At 31 December 2017, all assets and liabilities of the Company were denominated in sterling.

(b) Credit risk
As the Company had no turnover during the period, there is no significant concentration of credit risk. The Company does not have written credit risk management policies or guidelines.
The Company's cash is held in reputable banks. The carrying amount of these financial assets represents the maximum credit exposure.

(c) Liquidity risks
The Company currently has no operational revenue streams. Operational cash flow represents the ongoing exploration and administration costs. The Company manages its liquidity requirements by the use of long and short term cash flow forecasts.

The Company's policy is to ensure facilities are available as required and to issue share capital in accordance with long and short term cash flow forecasts. The Company currently has no undrawn facilities as at 31 December 2017. The Company actively manages its working finance to ensure the Company has sufficient funds for operations and planned expansion.

The Company's financial liabilities are primarily accruals. All amounts are due for payment in accordance with agreed settlement terms with suppliers or stating deadlines within one year.

(d) Cash flow and fair value interest rate risks

The Company has no interest-bearing liabilities. Interest rates on bank deposits are based on the relevant national inter-bank offered rates. The Company has no fixed interest rate assets.

The main financial risks for the Company are given in the Directors' Report.

At 31 December 2017, the currency and interest rate profile of the financial assets and liabilities of the Company was as follows:

As at 31 December	**2017** **£**	2016 £
Financial assets - GBP Sterling		
Prepayments	**3,320**	2,438
VAT recoverable	**10,208**	-
Cash and cash equivalents	**615,108**	399,446

The effect of a 1% movement in the interest rates offered by the banks is considered negligible.

(e) Capital risk management

The Company defines capital as the total equity of the Company. The Company manages its capital to ensure that entities within the Company will be able to continue individually as going concerns, while maximising the return to shareholders through the optimisation of debt and equity balances. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the amount of dividends to shareholders, issue new shares or return capital to shareholders, and raise debt or sell assets to reduce debt.

15. SHARE CAPITAL

a) Share capital

The Company has one class of Ordinary share which carry no right to fixed income nor have any preferences or restrictions attached.

As at 31 December	**2017** **£**	2016 £
Issued and fully paid		
860,859,050 Ordinary shares of 0.01p each (2016: 860,858,850)	**3,163,589**	3,163,589
	3,163,589	3,163,589

b) Share issues during the year

	Number of shares	Share capital £	Share premium £	**Total** **£**
At 1 January 2016 (1.0p Ordinary shares)	1,171,717,700	3,163,589	5,563,520	8,727,109
Redemption of 0.99p Deferred shares	(310,858,850)	-	-	**-**
Issue of Ordinary shares (0.01p)	200	-	-	**-**
At 31 December 2016	**860,859,050**	**3,163,589**	**5,563,520**	**8,727,109**
At 31 December 2017	**860,859,050**	**3,163,589**	**5,563,520**	**8,727,109**

On 22 June 2016, the Company redeemed all of the 310,858,850 deferred shares of 0.99 pence each (created as a result of the subdivision in June 2015 of each of the Company's former ordinary shares of 1.0 pence each into one ordinary share of 0.01 pence and one deferred share of 0.99 pence) for 100 pence in aggregate, in accordance with the rights attaching to such classes of shares. The redemption was funded out of the proceeds of the subscription by Lea Yeat Limited for 200 new Ordinary shares of 0.01 pence in the Company for 0.5 pence each in cash, made for the purpose of such redemption.

The Ordinary shares carry no right to fixed income nor have any preferences or restrictions attached.

16. SHARE-BASED PAYMENTS

The Company has an unapproved share option scheme under which options to subscribe for the Company's shares have been granted to two directors. The vesting condition is the number of years' service. The share options and warrants currently in existence were granted and are exercisable as follows:

Share options

Date granted	Exercise price (pence)	Number of shares	Vesting conditions	Contractual life remaining (Years)
28 June 2013	3	3,000,000	Between 28 June 2013 and 28 June 2018	0.5
18 November 2013	3	3,000,000	Between 18 November 2013 and 18 November 2019	0.9

Share warrants

Date granted	Exercise price (pence)	Number of shares	Vesting conditions	Contractual life remaining (Years)
30 December 2015	0.1	125,000,000	Upon execution of a reverse takeover by the Company	3
30 December 2015	0.1	125,000,000	Between 30 December 2015 and 30 December 2020	3
18 July 2016	0.23	11,000,000	Between 28 July 2016 and 29 July 2021	3.6
18 July 2016	0.23	11,000,000	Upon execution of a reverse takeover by the Company	3

The Directors did not exercise any share options or warrants during 2017 (2016: none).

The 22,000,000 share warrants over Ordinary Shares shown in the table above were granted to Jeremy Sparrow following his appointment as a Non-Executive director on 18 July 2016. Jeremy Sparrow is not taking any fees in relation to his appointment to the Board of the Company and has in lieu of such been granted the 22,000,000 warrants. Each warrant entitles him to subscribe for one Ordinary share at the price of 0.23 pence per share.

At the year-end, the market value of the Company's shares was 0.27p per share. The highest price during the year was 0.440p and the lowest price was 0.27p. The share-based payment charge relating to the share options and warrants granted to directors amounted to £89,821 (2016: £89,821).

The number and weighted average exercise prices of share options and warrants are as follows:

	Weighted average Exercise price (pence)	Number of shares
Granted in the year	-	-
Outstanding at year end	0.17	256,000,000
Exercisable at the year end	1.21	17,000,000

The estimated fair values of options and warrants which fall under IFRS 2, and the inputs used in the Black-Scholes model to calculate those fair values, are as follows:

	At date of grant							
Date of grant	Estimated fair value pence	Share price pence	Exercise price pence	Expected volatility (%)	Expected Life (yrs)	Vesting period (yrs)	Risk free rate (%)	Expected dividend (%)
28.6.13	0.936	1.375	3.0	22	5	5	0.5	0
18.11.13	35	51	3.0	22	6	6	0.5	0
30.12.15	0.23	0.24	0.1	56	5	5	0.5	0
30.12.15	0.23	0.24	0.1	56	5	5	0.5	0
18.07.16	0.42	0.42	0.23	113	5	5	0.6	0
18.07.16	0.42	0.42	0.23	113	5	5	0.6	0

Expected volatility was determined by calculating the standard deviation of daily continuously compounded returns of the Company's share price calculated back from the date of grant. 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 behavioral considerations.

17. TRANSACTIONS WITH RELATED PARTIES

During the year the Company paid Westleigh Investments Holdings Ltd, a company owned by Giles Clarke, £32,664 for accounting and secretarial services (2016: £15,000).

18. POST BALANCE SHEET EVENTS

Details of post balance sheet events are disclosed in the Directors Report.

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