

5 June 2019

Fox Marble Holdings plc
("Fox Marble" or the "Company")

Final Results for the year ended 31 December 2018

Fox Marble, the AIM listed company focused on marble quarrying and finishing in Kosovo and the Balkans region is pleased to announce its final results for the year ended 31 December 2018.

Highlights for the year ended 2018

- Total production of 13,094 tonnes of marble at the Prilep Alpha and Maleshevë quarries (2017 – 8,811 tonnes).
- Revenue for the year of €1.4 million (2017 - €1.2 million) with further advances of €0.3 million for future sales. 5,059 tonnes of block material sold in 2018 (2017 – 4,641 tonnes), together and over 7,000 sqm of processed material sold (2017 – 5,000 sqm).
- Operating loss for the year of €2.5 million (2017 - €2.9 million). Loss for the year of €2.3 million (2017 - €3.4 million).
- Acquisition of Gulf Marble Investments Limited for €1.8 million funded by the issuance of a convertible loan note. Through the acquisition Fox Marble has effectively obtained direct control over the quarry licence, acquired previously leased quarry equipment, and eliminated the royalty of 40% of gross revenue over the Prilep Alpha quarry payable to Gulf Marble Investments Limited under the original operating agreement.

Highlights year to date 2019

- Sales to 30 April 2019 of €515k (30 April 2018 - €76k) reflect a strong start to the year, given the winter shutdown of the quarries which generally results in very slow sales in the first few months of the year.
- Production in the four months to 30 April 2019 of 5,940 tonnes (2018 2,147 tonnes). This significant increase in production over this period is a reflection of capital investment made in the quarries to date.
- The Company has entered into an important new contract to provide the stone to construct a temple in the United Arab Emirates. Fox Marble will provide most of the stone for the interior of the building. An initial deposit of \$100k has been paid, and the total value of the contract over the next two years is expected to be in the region of \$2.4 million.

- Capital investment of €550k has been made in the Prilep Alpha quarry, to drive increased levels of production and to support the delivery of material under the new temple contract.
- On 4 April 2019, the Company announced the conditional acquisition of Green Power Sh.p.k and Scope Sh.p.k for a total consideration of 16,000,000 shares in the Company. These acquisitions will give Fox Marble the direct rights to the Maleshevë quarry in their entirety, eliminate the annual royalty which would have been due under the operating agreement, and reduce monthly outgoings for equipment and maintenance at the factory.

The Annual Report and Accounts for the year ended 31 December 2018 together with the Notice of Annual General Meeting and the associated form of proxy was posted to shareholders on the 4 June 2019.

The Annual Report, the Notice and related documents are available on Fox Marble's website and can be downloaded from: www.foxmarble.net/investors.

The AGM will be held at 11.00am on 26 June 2019 at CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

For further information please visit www.foxmarble.net.

Fox Marble Holdings plc

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Notes to Editors

Fox Marble (AIM: FOX), is a marble production, processing and distribution company in Kosovo and the Balkans region.

Its marble products, which includes Illirico Bianco, Illirico Selene, Grigio Argento and are gaining traction globally both to international wholesale companies as well as being supplied directly into luxury residential properties. In the UK these include among others St George's Homes and Capital and Counties Plc's Lillie Square development. In Sydney, Australia Rosso Cait, Alexandrian White and Breccia Paradisea marble have been used in what is expected to be Australia's most expensive private residence. These sales serve to demonstrate the desirability of Fox's premium marble products as the stone of choice in some of the most prestigious and expensive residential developments around the world.

Fox Marble holds 40 year mining licences for six separate marble quarries with a maiden JORC resource indicating an in-situ valuation of approximately Euro 16.5 billion. Fox has taken three of the six sites into production (the Drini and Maleshevë quarries, both in Kosovo and from the Prilep Quarry in Macedonia) and continues to increase production. Notably, Fox has access to over 300 million cubic metres (over 1bn tons) of premium quality marble.

Marble demand continues to grow with stable pricing, predominantly driven by the construction and real-estate industries, on which Fox is looking to capitalise.

Chairman's statement

In my report last year I said that our objectives for 2018 were to achieve notably higher sales and to significantly reduce operating losses. We have increased sales and reduced operating losses but not to the extent we had planned, which is disappointing. Notwithstanding this we have made progress with further investment in the development of our quarries, sales momentum continuing to build, further investment in our marble processing factory, and by strengthening our financial position and organisation.

Our long term goal is to expand our capacity, and to create a premium marble brand, through which Kosovo and the region is established as a major centre of marble production in the world. Our focus during 2019 will be to continue to develop our quarries and expand yields, to increase the output of processed material from our factory, to supply quality stone on time to our existing customers, to widen our customer base and identify new markets. We will continue to invest in systems and processes as our business grows and to ensure we maintain high standards of corporate governance and look after our workforce through effective training and disciplined health and safety practices.

Our sales in 2018 were lower than planned largely as a result of the slower than required growth in production. Accordingly, since the Company's financial year end, we have invested a further €550,000 in equipment for our Prilep Alpha quarry and have introduced a new quarry team and practices to substantially increase production levels. At Maleshevë we have continued to invest significant resources and effort to accelerate the development of this quarry to produce multiple open high volume benches capable of producing blocks in the quantities required to meet demand. We are beginning to see the benefits of this investment with a step up in production in the first four months of 2019.

We are encouraged by the signs of momentum building in the development of our customer base. We have a core of recurring block sale customers with orders from a number of countries including India, China, Turkey and the United Arab Emirates; the latter including an important contract to provide marble for a new temple.

The demand for our Illirico Selene marble from Maleshevë is currently outpacing production and Alexandrian White, and more recently Alexandrian Blue, from our Prilep Alpha quarry are in strong demand.

2018 was a significant year for our marble processing factory at Lipjan, Kosovo. The factory is now fully operational, has a very wide range of processing capability and has been well received locally with visits by the Prime Minister of Kosovo and other important dignitaries. A key objective during 2019 is to drive a material increase in the sale of processed marble from our factory to the local Kosovan and Balkan markets and overseas.

We have also made a number of important moves to strengthen the Group's organisation and financial position. We acquired Gulf Marble Investments Limited for €1.8 million in October 2018, thus effectively eliminating the royalty payable to Gulf Marble Investments Limited of 40% of gross revenue from the Prilep Alpha quarry. In April 2019 we announced the acquisition of Green Power Sh.p.k and Scope Sh.p.k for consideration of £1 million and £300k respectively, to be satisfied by the issue of 16 million shares in Fox Marble. These acquisitions give Fox Marble direct rights to the Maleshevë quarry, eliminate the annual royalty payable under the operating agreement and acquire outright assets previously operated under a hire purchase arrangement.

During the year we have continued to develop our planning on Stone Alliance and have commenced fund raising to get this project moving forward to the next stage. Stone Alliance has licences over 40 quarries so the opportunity is significant.

The results for the year reflect on-going costs incurred in developing our quarries, quarry operating expenses, overhead expenditure and financing costs. The loss for the year of €2.3 million is less than in 2017 (€3.4 million). Net cash at 31 December 2018 was €0.4 million and at 30 April 2019 was €0.96 million. Costs and cash remain under very tight control.

I would like to thank all our employees who are very committed and work very hard, and, importantly have embraced our vision to establish Kosovo and the Balkans as a major supplier of high quality marble worldwide.

We have made an encouraging start to 2019. Production for the period to 30 April 2019 was 5,940 tonnes compared to 2,147 tonnes last year and sales were €515k compared to €76k. As last year, our objectives for the year are to achieve a material increase in production and sales, to significantly reduce operating losses. Our target for the year is to achieve a close to cash break-even position for the year as a whole. This will be critically dependent on our ability to produce marble to the required quality and on time to meet orders and to significantly grow sales of processed marble.

Strategic Report

Sales and marketing

Sales for the year ended 2018 were €1.4 million, with a further €0.3 million in advances received from customers. Whilst sales growth has not been as strong as expected, this has

been driven by lower than expected quarry production volumes in Maleshevë. The demand for our Illirico Selene marble is currently outpacing production. We have seen encouraging signs in the development of our customer base, with a core of recurring block sale customers, with steady and regular demand for our material. We expect these customers to form the backbone of expected revenues in 2019.

- In 2018, the Company has seen its first significant orders from China. A Chinese customer has purchased and paid for 894 tonnes of Illirico Selene in three separate shipments. This customer has confirmed it wishes to purchase 300 tonnes of this material each month during 2019. We have completed shipment of over 300 tonnes of material to the customer since the M3 quarry reopened in late March 2019 and expect further orders over the remainder of the year.
- Turkey continues to be a consistent market for the Company, with over 1,200 tonnes of material sold in 2018. The customer has confirmed it expects demand for the material to continue in 2019.
- In January 2018, the Company started production of a new material at the Prilep Alpha quarry called Alexandrian Blue. The new material has dense blue grey banding with smaller bands of white which produce a marked blue tone and is akin to the highly desirable Zebrino marble from Northern Italy. This new material will be quarried alongside Alexandrian White which is already in commercial production at the quarry. Fox Marble sold, and received payment for, 441 tonnes of Alexandrian Blue extracted in December 2018 to a single customer. Following this order, the Company entered into a sales agreement with this customer to purchase Alexandrian Blue with an expected value in excess of €1 million. The same customer has confirmed their intention to also purchase 3,500 tonnes of Illirico Selene. Since the start of 2019 the client has purchased a further 475 tonnes of material.
- In 2018, the Company established an office in Dubai to service the Gulf Cooperation Council region and entered into a purchase agreement for processed marble. The Company completed two large cut-to-size orders to a client in the UAE at the end of 2018, including the production of 50,000 10 cm x 10 cm tiles, which were secured via our new Dubai office.
- In 2019, the Company has entered into a significant new contract to provide the stone to construct a stone temple in the United Arab Emirates. Fox Marble will provide the majority of the stone for the interior of the building. An initial deposit of \$100k has been paid, and the total value of the contract over the next two years is expected to be in the region of \$2.4 million. Capital investment in quarry equipment of €550k has been made in the Prilep Alpha quarry, to drive the increased levels of production and to support the delivery of material, under this contract.

Sales to 30 April 2019 of €515k (30 April 2018 - €74k) reflect a strong start to the year, given the winter shutdown of the quarries which generally results in very slow sales in the first quarter of the year.

Factory

A 5,400 square metre double skinned steel factory for the cutting and processing of blocks into polished slabs and tiles has been erected on a 10-hectare site that the Company acquired in Lipjan in 2013, close to Pristina airport in Kosovo.

2018 was a transformative year for our factory. With full slab production operational from the last quarter of 2017, 2018 was focused on meeting growing demand for cut to size stone in addition to finished slabs. The Italian Gravellona Machine Marmo Computer Numerical Control (“CNC”) machine was installed in March 2018 and was very quickly producing its first tiles for export. Since then, cut to size capacity has been increased with the purchase of four bridge saws, two edge polishers, a cylinder (column) milling machine and a dedicated tile polishing line which became operational in the first quarter of 2019. Operating processes have been consistently refined and the factory is now operating two full shifts per day all year round.

The factory has been showcased as a key example of the benefits of investment in Kosovo and visited by various dignitaries including the Prime Minister of Kosovo, the British Ambassador, and the Chairman of the Kosovo All Parties Parliamentary Group from Westminster.

Production at our own factory in Kosovo provides several key benefits to the Company:

- Reduction in the cost of processing, increasing the margins on the sale of processed slabs and tiles. Previously, the Company has relied on processing facilities provided by third parties in Italy and Albania. This involved additional costs for both processing, transport and storage.
- Access to the local Balkans market where we are the only domestic supplier of slabs and tiles.
- Entry into the international tile market helped by the lower cost base that the factory will provide.
- Improvement in quarry yields as we can process more marginal blocks that would not be attractive to our international block customers due to shipping and tariff costs.
- Greater flexibility in responding to our customers’ needs as we will no longer have to rely on third party processing.

In 2018 and 2019, Fox Marble entered into certain hire purchase arrangements with Scope Sh.p.k (“Scope”), a company incorporated in Kosovo, to acquire and install in the factory plant and machinery including the new CNC machine which was announced on 16 April 2018.

On 4 April 2019 the Company announced it had conditionally agreed to acquire the entire issued share capital of Scope for a consideration of £300,000 to be satisfied by the issue of 3,000,000 new ordinary shares in the Company at a price that equates to 10 pence per share. The consideration paid for Scope is less than the value of the future payments due under the hire purchase agreements being acquired as part of its acquisition and will reduce future cash outflows at the factory.

Quarry Operations

Maleshevë

In July 2013, the Company acquired the rights to the Maleshevë quarry in Kosovo from a local company. The licence to the quarry is for 20 years with an irrevocable option to extend the

period by a further 20 years thereafter. The Company incurs a royalty of 20% on net profit generated from the sale of block marble to the previous licence holder of the quarry.

In October 2015, the Company acquired the rights to a further 300-hectare site close to the Company's existing licence resource in Maleshevë from a local company. By November 2015, this quarry had been opened and the first blocks extracted and sent for testing. The quarry was operated subject to an agreement with the licence holder, Green Power Sh.p.k ("Green Power"), a company incorporated in Kosovo, which granted Fox Marble's Kosovan subsidiary the rights to develop and operate the quarry, in return for a royalty arrangement.

These quarries contain a mixture of Illirico Bianco, Illirico Superiore and the silver-grey marble Illirico Selene. The initial market response to both the Illirico Selene and Illirico Bianco was significant and to address this anticipated demand the Company has invested significant resources and effort since 2016 to accelerate the development of these quarries to produce multiple open high volume benches capable of producing blocks in the quantities to meet demand. The Company quarried 7,278 tonnes during 2018 (2016 – 6,526 tonnes).

On 4 April 2019, Fox Marble announced it had conditionally acquired the entire share capital of Green Power, for a consideration of £1,000,000 to be satisfied by the issue of 13,000,000 new ordinary shares in the Company at a price that equates to 7.69 pence per share.

Since entering into the initial agreement with Green Power no royalty had been paid, due to the costs associated with development of the quarry. With increasing production and expected sales of the materials the Board determined that it was in the best interest of the Company to control the asset, given the anticipated royalties that were due to be paid, and approved the acquisition.

Prilep

The Company entered into an agreement to operate a quarry in Prilep, North Macedonia in 2013. The agreement was for a period of 20 years with an irrevocable option to extend the period for a further 20 years thereafter. The Prilep quarry contains a highly desirable white marble. This is one of a small cluster of quarries, in the Stara river valley, overlooked by the Sivec pass.

The Prilep Alpha quarry is controlled by a local partner who has appointed Fox Marble to operate the quarry on its behalf.

The introduction of a new quarry team at the site in November 2018 increased the total production for the quarry to 5,816 tonnes (2017 - 2,285 tonnes). This 130% increase in production was achieved primarily in the last six weeks of the year and provides an encouraging outlook for 2019 production at this quarry. The Company has invested in further capital equipment in this quarry in early 2019. Since the start of the year 4,407 tonnes has been quarried from the site.

Acquisition of Gulf Marble

On 8 October 2018, Fox Marble acquired Gulf Marble Investments Limited (Dubai) its investment partner in the Prilep Alpha quarry in North Macedonia, including all the rights attached to that Company. Under the terms of the original agreement to acquire the Prilep Alpha quarry in North Macedonia in 2013, Gulf Marble Investments Limited provided the

funds to acquire the licence to the site and capital investment amounting to €1.7 million, and then entered into an operating agreement with Fox Marble to operate the quarry. In compensation Gulf Marble Investments Limited was provided with a royalty amounting to 40% of the gross revenues received from the sale of its block marble from the quarry.

Through the acquisition of 100% of the share capital of Gulf Marble Investments Limited, Fox Marble has effectively acquired the licence to the site eliminating the royalty of 40% of gross revenue that was payable to Gulf Marble Investments Limited under the original agreement, as well as acquiring the capital equipment held by Gulf Marble. Consideration for the acquisition was the issue of a convertible loan note with a carrying value of €1.785 million. Following the completion of this transaction Fox Marble will be eligible to retain 65% of the gross revenue from the sale of block marble from the quarry. A Royalty of 35 % of gross revenue will remain payable to the original licence holder of the quarry.

The Company also has the rights to an additional quarry nearby, Prilep Omega, which it acquired in 2014.

Following a copyright dispute over the rights to use the name “Sivec” for the Company’s white dolomitic marble quarried in North Macedonia, Fox Marble has relaunched its white marble under the trade name Alexandrian White.

Cervenillë

This site was the first of our quarries to be opened in November 2012. It is being exploited across three separate locations (Cervenillë A, B & C) from which red (Rosso Cait), red tinged grey (Flora) light and darker grey (Grigio Argento) marble is being produced in significant quantities. The polished slabs from this quarry have sold well. The most noteworthy sales included those to St George PLC (Berkeley Homes) for the prestigious Thames riverside Chelsea Creek development.

In 2016, the decision was made to focus quarry resources at the nearby Maleshevë quarry in order to accelerate development to address expected demand. Quarry staff and equipment were therefore re allocated from this quarry. The quarry remains open on a maintenance basis and quarrying can be restarted at all three sites at less than three weeks’ notice.

Syriganë

The quarry at Syriganë is open across four benches. The site contains a variety of the multi-tonal breccia and Calacatta-type marble and produces significant volumes of breccia marble in large compact blocks. Output is marketed as Breccia Paradisea (predominantly grey and pink) and Etrusco Dorato (predominantly gold and grey).

Financing

On 19 January 2018, the Company issued 26,283,331 new Ordinary Shares with a nominal value of £262,833 at a price of 10.5 pence per share to raise £2,759,750. Proceeds from the placing and subscription were used to fund the expansion of production capabilities at Fox Marble’s quarries and factory, to repay existing debt obligations and to provide the Company with additional working capital as demand increases as it continues to develop sales channels.

In addition, the Company discharged £783,000 of its outstanding loans and other liabilities by the issue of a further 7,457,140 new Ordinary Shares to certain Directors and to Brandon Hill

Capital Limited at a price of 10.5 pence per share.

On 30 January 2018, the Company settled outstanding liabilities in relation to the Series 1 Loan Note due to Amati Global Investors Limited and all liabilities in relation to the short term borrowings due to Peers Hardy (UK) Limited.

On 30 July 2018 the holders of the series 3 and 5 Loan notes have subscribed for an additional £300,000 of Loan notes on the same terms as the existing loan notes.

On 30 September 2018 the Company issued a convertible loan note with a value of £300,000 on the same terms as existing loan notes. As consideration for the acquisition of Gulf Marble Investments Limited, Fox Marble has issued an Unsecured Convertible Loan Note ("Loan Note") in the amount of €1,785 million. Under the terms of the Loan Note, the holder may elect to convert at a conversion price of 130% of the 3 month volume weighted average share price. The Loan Note is repayable from the 1 October 2020. The Loan Note carries an interest rate of Libor plus 1.5% payable annually in arrears.

Fox Marble issued 13,263,161 new ordinary shares in the Company at 9.5p per share on 4 February 2019. Gross proceeds of this issue of equity amounted to £1,260,000. The New Ordinary Shares rank pari passu with the existing ordinary shares.

Fox Marble issued a further £700,000 in Convertible Loan Notes under the same terms as existing Loan Notes issued by the Company. The Convertible Loan Notes will carry an interest rate of 8%, per annum. The Convertible Loan Notes are due for conversion or repayment on 18 February 2022 with a conversion price set at 10.5p.

Proceeds from the issue of shares have been used to fund capital equipment at Fox Marble's quarry sites, to expand production capabilities and to supply increased demand for material in 2019.

Please refer to the Report of the Directors for the going concern assessment by the Directors.

Results and Dividends

Key Performance Indicators	2018	2017
Number of operational quarries	4	4
Quarry production (tonnes)	13,094	8,811
Revenue	€1,409,730	€1,203,270
Average recorded selling price (blocks per tonne)	€210	€170
Average recorded selling price (processed per sqm)	€56	€72
EBITDA	(€2,324,762)	(€2,802,437)
Operating loss for the year	(€2,458,426)	(€2,933,443)
Loss for the year	(€2,296,379)	(€3,437,389)
Expenditure on property, plant and equipment	€713,315	€496,366

The Group recorded revenues of €1,409,730 in the year ended 31 December 2018 (2017 - €1,203,270). The Group incurred an operating loss of €2,458,426 for the year ended 31 December 2018 (2017 - €2,933,443). The operating loss reflects the costs incurred to bring the quarries to a stage required for production of more consistent and larger block sizes. Additionally, the Group has invested in targeted marketing activity to increase its worldwide presence through attendance at industry fairs and key events. The Group incurred a loss after tax for the year ended 31 December 2018 of €2,296,379 (2017 - €3,437,389).

<i>Reconciliation of EBITDA to Loss for the year</i>	<i>Year to 31 December 2018</i>	<i>Year to 31 December 2017</i>
	€	€
Loss for the year	(2,296,379)	(3,437,389)
Plus/(less):		
Net finance costs/(income)	(162,047)	503,946
Depreciation	90,365	99,194
Amortisation	43,299	31,812
EBITDA	(2,324,762)	(2,802,437)

The Company does not anticipate payment of dividends until its operations become significantly cash generative.

Sustainable development

Fox Marble aims to build and maintain relationships based on trust and mutual benefit with its stakeholders. Preventing and managing social and environmental risks, while seeking opportunities for improvement, are critical to maintaining the Group's competitiveness and capacity to grow.

Risk

Fox Marble recognises that risk is inherent in all of its business activities. Its risks can have a financial, operational or reputational impact. The Company's system of risk identification, supported by established governance controls, ensures that it effectively responds to such risks, whilst acting ethically and with integrity for the benefit of all of our stakeholders.

Once identified, risks are evaluated to establish root causes, financial and non-financial impacts, and likelihood of occurrence. Consideration of risk impact and likelihood is taken into account to create a prioritised risk register and to determine which of the risks should be considered as a principal risk. The effectiveness and adequacy of mitigating controls are assessed. If additional controls are required, these will be identified and responsibilities assigned.

The Company's management is responsible for monitoring the progress of actions to mitigate key risks. The risk management process is continuous; key risks are reported to the Audit Committee and at least once a year to the full Board.

Going Concern

The Directors have reviewed detailed projected cash flow forecasts and are of the opinion that it is appropriate to prepare this report on a going concern basis. In making this assessment they have considered:

- (a) the current working capital position and operational requirements;
- (b) the timing of expected sales receipts and completion of existing orders;
- (c) the sensitivities of forecast sales figures over the next two years;
- (d) the timing and magnitude of planned capital expenditure; and
- (e) the level of indebtedness of the company and timing of when such liabilities may fall due, and accordingly the working capital position over the next 18 months.

The forecasts assume a significant increase of production compared to 2018 at the Prilep Alpha and Maleshevë quarries to complete existing and anticipated orders. Further the Company is anticipating significant growth in revenue through the realisation of existing sale contracts and offtake agreements as well as from newly generated sales.

There are several key risks and uncertainties that could impact the financial performance of the company. These include the fact that levels of production at Maleshevë and Prilep can be impacted by unforeseen delays due to inclement weather or equipment failure; lower than expected quality of material being produced by the quarries; and delays in the fulfilment of the Company's order book.

As at 30 April 2019 the Company has €0.96 million in cash and €4 million in convertible loan notes falling due between December 2019 and October 2021. On 2 June 2017, the Company entered into a facility arrangement of £1,000,000 at an interest rate of 9% per annum arranged by Brandon Hill Capital Limited, which may be drawn down at the Company's request. This facility expires on 30 June 2020, and is undrawn at 4 June 2019.

If the cash receipts from sales are lower than anticipated the Company has identified that it has available to it a number of other contingent actions, in addition to those noted above, that it can take to mitigate the impact of potential downside scenarios. These include seeking additional financing, leveraging existing sale agreements, reviewing planned capital expenditure, reducing overheads and further renegotiation of the terms on its existing debt obligations.

In conclusion having regard to the existing and future working capital position and projected sales, the Directors are of the opinion that the Group has adequate resources to enable it to undertake its planned activities for the next twelve months.

Finally, I would like to thank all our staff and our Board colleagues for their unstinting efforts on behalf of Fox Marble.

On behalf of the board

Chris Gilbert

Chief Executive Officer

04 June 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 €	2017 €
Revenue	5	1,409,730	1,203,270
Cost of sales	6	(887,356)	(795,895)
Gross profit		<u>522,374</u>	<u>407,375</u>
Administrative and other operating expenses	6	(2,980,800)	(3,340,818)
Operating loss	6	<u>(2,458,426)</u>	<u>(2,933,443)</u>
Finance costs	7	(119,507)	(604,253)
Finance income	8	281,554	100,307
Loss before taxation		<u>(2,296,379)</u>	<u>(3,437,389)</u>
Taxation		-	-
Loss for the year		<u>(2,296,379)</u>	<u>(3,437,389)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to owners of the parent company		<u>(2,296,379)</u>	<u>(3,437,389)</u>
Loss per share			
Basic loss per share	9	(0.01)	(0.02)
Diluted loss per share	9	(0.01)	(0.02)

**Consolidated Statement of Financial Position
As at 31 December 2018**

	Note	2018 €	2017 €
Assets			
Non-current assets			

Intangible assets	10	2,672,658	1,161,989
Property, plant and equipment	11	4,844,752	4,754,087
Trade and other receivables		-	56,307
Total non-current assets		7,517,410	5,972,383
Current assets			
Trade and other receivables		889,299	985,647
Inventories		3,807,140	3,319,467
Cash and cash equivalents		438,270	542,287
Total current assets		5,134,709	4,847,401
Total assets		12,652,119	10,819,784
Current liabilities			
Trade and other payables		1,184,855	1,373,096
Borrowings	12	88,970	1,739,025
Total current liabilities		1,273,825	3,112,121
Non-current liabilities			
Deferred tax liability		84,504	
Borrowings	12	3,683,990	1,702,453
Total non-current liabilities		3,768,494	1,702,453
Total liabilities		5,042,319	4,814,574
Net assets		7,609,800	6,005,210
Equity			
Called up share capital	13	2,700,688	2,284,476
Share premium	13	29,941,977	26,424,202
Accumulated losses	14	(25,153,655)	(22,823,182)
Share based payment reserve		85,247	84,171
Other reserve		35,543	35,543
Total equity		7,609,800	6,005,210

**Consolidated Statement of Cash Flows
For the year ended 31 December 2018**

	Note	2018 €	2017 €
Cash flows from operating activities			
Loss before taxation		(2,296,379)	(3,437,389)
Adjustment for:			
Finance costs	7	119,507	(604,253)
Finance income	8	(281,554)	100,307
Operating loss for the year		(2,458,426)	(2,933,443)

Adjustment for:			
Amortisation	10	43,299	31,812
Depreciation	11	90,365	404,848
Foreign exchange losses on operating activities		6,522	30,921
Equity settled transactions		1,076	960
Provision for bad debts		124,643	92,368
Provision for inventory		251,552	492,723
Changes in working capital:			
Decrease in trade and other receivables		(6,081)	503,685
Increase in inventories		(206,942)	(580,274)
Increase in accruals		(31,266)	120,919
Increase in trade and other payables		(156,975)	361,834
Net cash used in operating activities		(2,342,233)	(1,473,647)
Cash flow from investing activities⁽¹⁾			
Expenditure on property, plant & equipment	11	(499,847)	(496,366)
Deposits paid on property, plant & equipment	11	-	(70,000)
Interest on bank deposits		838	461
Net cash used in investing activities		(499,009)	(565,905)
Cash flows from financing activities			
Proceeds from issue of shares (net of issue costs)	13	3,137,538	28,177
Proceeds from the issue of long-term debt (net of issue costs)	12	1,314,030	2,061,548
Repayment of debt ⁽²⁾	12	(1,604,278)	(171,194)
Interest paid on loan note instrument	12	(102,705)	(243,283)
Net cash inflow from financing activities		2,744,585	1,675,248
Net decrease in cash and cash equivalents		(96,657)	(364,304)
Cash and cash equivalents at beginning of year		542,287	937,512
Exchange losses on cash and cash equivalents		(7,360)	(30,921)
Cash and cash equivalents at end of year		438,270	542,287

(1) In the year ended 31 December 2018 the Group acquired Gulf Marble Limited Investments for non-cash consideration consisting of the issue of loan note with a nominal value of €1,785,000. Further details can be found in note 15.

(2) In the year ended 31 December 2018 €796,450 of debt was settled through the issue of equity. Further details can be found in note 12.

Consolidated Statement of Changes in Equity For the year ended 31 December 2018

Share Capital	Share Premium	Share based payment	Other Reserve	Accumulated losses	Total equity
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Note	reserve					
	€	€	€	€	€	€
Balance at 1 January 2017	2,281,345	26,399,156	83,211	35,543	(19,385,793)	9,413,462
Loss and total comprehensive loss for the year	-	-	-	-	(3,437,389)	(3,437,389)
Transactions with owners						
Share options charge	-	-	960	-	-	960
Share capital issued	3,131	25,046	-	-	-	28,177
Balance at 31 December 2017 and at 1 January 2018	2,284,476	26,424,202	84,171	35,543	(22,823,182)	6,005,210
Adjustment on adoption of IFRS 9	-	-	-	-	(34,094)	(34,094)
Adjusted at 1 January 2018	2,284,476	26,424,202	84,171	35,543	(22,857,276)	5,971,116
Loss and total comprehensive loss for the year	-	-	-	-	(2,296,379)	(2,296,379)
Transactions with owners						
Share options charge	-	-	1,076	-	-	1,076
Share capital issued	416,212	3,517,775	-	-	-	3,933,987
Balance at 31 December 2018	2,700,688	29,941,977	85,247	35,543	(25,153,655)	7,609,800

Notes to the Consolidated Financial Statements

1. General information

The principal activity of Fox Marble Holdings plc and its subsidiary and associate companies Fox Marble Limited, H&P Sh.p.k, Granit Shala Sh.p.k, Rex Marble Sh.p.k, Stone Alliance LLC and Fox Marble Asia Limited and Fox Marble Kosova Sh.p.k, Gulf Marble Investments Limited UAE (collectively “Fox Marble Group” or “Group”) is the exploitation of quarry reserves in the Republic of Kosovo and Republic of Macedonia.

Fox Marble Holdings plc is the Group’s ultimate Parent Company (“the Parent Company”). It is incorporated in England and Wales and domiciled in England. The address of its registered office is 15 Kings Terrace, London, NW1 0JP. Fox Marble Holdings plc shares are admitted to trading on the London Stock Exchange’s AIM market.

2. Basis of Preparation

The financial information set out herein does not constitute the Group's statutory financial statements for the year ended 31 December 2018, but is derived from the Group's audited full financial statements. The auditors have reported on the 2018 financial statements and their report was unqualified and did not contain statements under s498(2) or (3) Companies Act 2006. The 2018 Annual Report was approved by the Board of Directors on 4 June 2019, and was mailed to shareholders on 4 June 2019. The

financial information in this statement is audited but does not have the status of statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The Group's consolidated financial statements, which form part of the 2018 Annual Report, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Companies Act applicable to companies reporting under IFRS. IFRS includes Interpretations issued by the IFRS Interpretations Committee (formerly – IFRIC).

The consolidated financial statements have been prepared under the historical cost convention, apart from financial assets and financial liabilities (including derivative instruments) which are recorded at fair value through the profit and loss. The preparation of consolidated financial statements under IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3. Critical accounting estimates and areas of judgement

Impairment assessment

The Group assesses at each reporting date whether there are any indicators that its assets and cash generating units (CGUs) may be impaired. Operating and economic assumptions, which could affect the valuation of assets using discounted cash flows, are updated regularly as part of the Group's planning and forecasting processes. Judgement is therefore required to determine whether the updates represent significant changes in the service potential of an asset or CGU and are therefore indicators of impairment or impairment reversal.

In performing the impairment reviews, the Group assesses the recoverable amount of its operating assets principally with reference to fair value less costs of disposal, assessed using discounted cash flow models. These models are subject to estimation uncertainty and there is judgement in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants as outlined below.

Going concern

The Group assesses at each reporting date whether it is a going concern for the foreseeable future. In making this assessment management considers:

- (a) the current working capital position and operational requirements;
- (b) the timing of expected sales receipts and completion of existing orders;
- (c) the sensitivities of forecast sales figures over the next two years;
- (d) the timing and magnitude of planned capital expenditure; and
- (e) the level of indebtedness of the company and timing of when such liabilities may fall due, and accordingly the working capital position over the next 18 months.

Management considers in detail the going concern assessment, including the underlying assumptions, risks and mitigating actions to support the assessment. The assessment is subject to estimation uncertainty and there is judgement in determining underlying assumptions.

Quarry reserves

Engineering estimates of the Group's quarry reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that must be met before estimated quarry reserves can be designated as "proved" and "probable". Proved and probable quarry reserve estimates are updated at regular intervals considering recent production and technical information about each quarry. In addition, as prices and cost levels change from year to year, the value of proved and probable quarry reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in depreciation and amortisation rates calculated on units of production ("UOP") basis.

Changes in the estimate of quarry reserves are also considered in impairment assessments of non-current assets.

Treatment of convertible loan notes

The convertible loan notes have been accounted for as a liability held at amortised cost. At the date of issue, the fair value of the liability component was estimated using the prevailing market interest rate for similar non-convertible debt.

The conversion option results in the Company repaying a GBP denominated liability in return for issuing a fixed number of shares and as such has been classified as a derivative liability. The liability is held at fair value and any changes in fair value over the period are recognised in profit or loss.

The Company has fair valued the identified embedded derivatives included within the contract using a Black Scholes methodology, which has resulted in the recording of a liability of €262,459 at 31 December 2018 (2017 - €303,368). The main assumptions used in the valuation of the derivative conversion option as at 31 December 2018 were: underlying share price of £0.0738 (31 December 2017: £0.1175), EUR/GBP spot rate of 1.10 (31 December 2017: 1.13), historic volatility of 44% (31 December 2017: 51%) and risk free rate of 0.68% (31 December 2017: 0.5%)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined based on weighted average costs and comprises direct materials and direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

In calculating the net realisable value of the inventory management has to make a judgment about expected sales price of the material. Management makes this judgment based on its historical experience of the sale of similar material and taking into account the quality or age of the inventory concerned.

4. Going concern

The Directors have reviewed detailed projected cash flow forecasts and are of the opinion that it is appropriate to prepare this report on a going concern basis. In making this assessment they have considered:

- (a) the current working capital position and operational requirements;

- (b) the timing of expected sales receipts and completion of existing orders;
- (c) the sensitivities of forecast sales figures over the next two years;
- (d) the timing and magnitude of planned capital expenditure; and
- (e) the level of indebtedness of the company and timing of when such liabilities may fall due, and accordingly the working capital position over the period to 31 December 2020.

If the cash receipts from sales are lower than anticipated the Company has identified that it has available to it a number of other contingent actions, in addition to those noted above, that it can take to mitigate the impact of potential downside scenarios. These include seeking additional financing, leveraging existing sale agreements, reviewing planned capital expenditure, reducing overheads and further renegotiation of the terms on its existing debt obligations.

In conclusion having regard to the existing and future working capital position and projected sales, the Directors are of the opinion that the Group has adequate resources to enable it to undertake its planned activities for the next twelve months.

5. Segmental information

The chief operating decision maker is the Board of Directors. The Board of Directors reviews management accounts prepared for the Group as a whole when assessing performance.

All the operations of Fox Marble Holdings plc are in the Republic of Kosovo and the Republic of North Macedonia. All sales of the Group are as a result of the extraction and processing of marble. It is the opinion of the directors that the operations of the Company represent one segment and are treated as such when evaluating its performance.

All intangible assets held by the Group relate to intangible assets acquired in relation to mining rights and licences in North Macedonia of €2,508,224 (2017 - €1,079,699) and exploration and evaluation expenditure incurred in Kosovo of €79,930 (2017 – €82,290). Of the non-current assets held by the Group of €7,517,410 (2017 – €5,972,383), €4,481,511 (2017 - €4,481,909) relates to Property, Plant and Machinery acquired for the exploitation of assets in Kosovo and €362,612 (2017 - €268,848) relates to Property, Plant and Machinery acquired for the exploitation of assets in North Macedonia.

The Group incurs certain costs in the United Kingdom in relation to head office expenses. In the year under review included in the operating costs for the year of €2,980,800 (2017 - €3,340,818) were costs incurred in the United Kingdom of €1,314,226 (2017 – €1,411,130). Net interest income of the Group of €162,047 (2017 - expense of €503,946) is incurred in the United Kingdom.

The Group has a branch operation situated in Carrara, Italy.

All revenue, which represents turnover, arises solely within Kosovo and North Macedonia and relates to external parties.

Year ended 31 December	Year ended 31 December
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	2018 €	2017 €
Revenue by territory		
Europe	845,877	653,937
Middle East	260,783	-
China	209,616	22,430
India	93,454	495,282
United States of America	-	31,621
Total revenue	1,409,730	1,203,270

Revenues from contracts with customers

The Group generates revenue through the sale of quarried marble as well as the processing of marble into slabs, tiles and bespoke cut to size items.

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Revenue by product		
Sale of block marble	1,043,313	793,357
Sale of processed marble	353,265	408,693
Provision of processing services	13,152	1,220
Total revenue	1,409,730	1,203,270

Revenue is recognised in a manner that depicts the pattern of the transfer of goods and services to customers. The amount recognised reflects the amount to which the Group expects to be entitled in exchange for those goods and services. Sales contracts are evaluated to determine the performance obligations, the transaction price and the point at which there is transfer of control. The transactional price is the amount of consideration due in exchange for transferring the promised goods or services to the customer, and is allocated against the performance obligations and recognised in accordance with whether control is recognised over a defined period or at a specific point in time.

Block marble may be sold under a sales agreement with a customer or on a non contractual basis. Sales agreements for block marble generally contain agreed pricing and minimum volume, through which customers can gain exclusivity within a given region. Block marble may be sold on an ex-quarry basis or free on board (FOB) basis. Revenue is recognised on the sale of block marble when control of the block marble is transferred to the buyer as the transfer of legal title, customer acceptance and an unconditional requirement to pay. The group derives revenue from the sale of blocks at a point in time.

Processed marble may be sold on an as seen basis or may be cut to order. The Company may enter into contracts to supply a given volume of processed marble as specified by the client. Processed marble may be sold on ex-factory basis or may include transport to customers. Revenue in relation to larger projects may involve separately identifiable

performance obligations. Such performance obligations may include the separate delivery of instalments of product in accordance with the contractual schedule. Where marble is cut to order the Group does not consider the provision of marble and the processing of marble as separate obligations, unless the client selects and takes title to specific block marble.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Contractual basis	941,349	663,627
Non-contractual basis	468,381	539,643
Total revenue	1,409,730	1,203,270

The following table sets out financial assets and liabilities that relate to sales contracts the Group has entered into

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Trade receivables	276,073	191,282
Contract Liabilities (Advances received from customers)	307,743	380,843

6. Expenses by nature

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Operating loss is stated after charging/(crediting):		
Cost of materials sold	887,356	795,895
Inventory provision	251,552	492,723
Fees payable to the Company's auditors	104,860	108,110
Legal & professional fees	191,796	348,754

Consultancy fees and commissions	470,998	401,939
Staff costs	803,340	748,034
Operating lease rental	47,679	67,158
Other head office costs	166,031	195,648
Travelling, entertainment & subsistence costs	136,292	102,486
Depreciation	90,365	99,194
Amortisation	43,299	31,812
Quarry operating costs	170,285	247,751
Foreign exchange gain	25,492	2,277
Share based payment charge	1,076	960
Marketing & PR	48,614	92,348
Testing, storage, sampling and transportation of materials	265,805	255,922
Provision for bad debts	124,643	92,368
Sundry expenses	38,673	53,334
Cost of sales, administrative and other operational expenses	3,868,156	4,136,713

The analysis of auditors' remunerations is as follows:

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
<hr/>		
Fees payable to the Company's auditors and its associates for services to the group		
Audit of UK parent company	23,041	30,510
Audit of consolidated financial statements	61,819	56,500
Audit of overseas subsidiaries	20,000	15,450
Audit of UK subsidiaries	-	5,650
Total audit services	104,860	108,110

7. Net finance costs

	2018 €	2017 €
<hr/>		
Finance costs		
Interest expense on borrowings	119,507	300,884
Movement in the fair value of derivative (note 12)	-	303,369
	119,507	604,253

8. Net finance income

	2018 €	2017 €
<hr/>		

Finance income		
Movement in the fair value of derivative (note 12)	277,962	99,846
Net foreign exchange gain on loan note instrument	2,754	-
Interest income on bank deposits	838	461
	281,554	100,307

9. Loss per share

	2018	2017
	€	€
Loss for the year used for the calculation of basic LPS	(2,296,379)	(3,437,388)
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic LPS	214,022,550	181,198,281
Effect of potentially dilutive ordinary shares	-	-
Weighted average number of ordinary shares for the purpose of diluted LPS	214,022,550	181,198,281
<i>Loss per share:</i>		
Basic	(0.01)	(0.02)
Diluted	(0.01)	(0.02)

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of the Ordinary Shares which would be in issue if all the options granted other than those which are anti-dilutive, were exercised.

The following potentially dilutive instruments have been excluded from the calculation of weighted average number of ordinary shares for the year ended 31 December 2018 for the purpose of calculating diluted loss per share on the basis that the instruments would be anti-dilutive.

- A grant of 120,000 options granted under the DSOP.
- Shares issuable under unsecured convertible loan notes issued by the Company.
- 175,000 performance warrants granted to Beaufort Securities Limited.

10. Intangible assets

	Capitalised exploration and	Total €
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	Goodwill €	Mining rights and licences €	evaluation expenditure €	
<i>Cost</i>				
As at 1 January 2017	-	1,256,376	92,866	1,349,242
As at 31 December 2017 and 1 January 2018	-	1,256,376	92,866	1,349,242
Additions	84,504	1,469,464	-	1,553,968
As at 31 December 2018	84,504	2,725,840	92,866	2,903,210
<i>Accumulated amortisation</i>				
As at 1 January 2017	-	147,222	8,219	155,441
Amortisation charge	-	29,455	2,357	31,812
As at 31 December 2017 and as at 1 January 2018	-	176,677	10,576	187,253
Charge for the year	-	40,939	2,360	43,299
As at 31 December 2018	-	217,616	12,936	230,552
<i>Net Book Value</i>				
As at 1 January 2017	-	1,109,154	84,647	1,193,801
As at 31 December 2017	-	1,079,699	82,290	1,161,989
As at 31 December 2018	84,504	2,508,224	79,930	2,672,658

Capitalised exploration and evaluation expenditure represent rights to the mining of decorative stone reserves in the Pejë, Syriganë and Rahovec quarries in Kosovo. The Group was granted in 2011 rights of use by the local municipality for twenty years over land in the Syriganë and Rahovec region through acquisition of the issued share capital of Rex Marble SH.P.K and H&P SH.P.K.

On the 16 August 2014 the Company entered into a sub-lease arrangement with New World Holdings (Malta) Limited in relation to the Omega Alexandrian White marble quarry at Prilep in Macedonia. This new quarry site is adjacent to the Company's existing operations in Prilep. The consideration for the sub-lease was €1,256,376 (£1,000,000) and a subsequent 40% gross revenue royalty obligation. The sub-lease has an initial term of 20 years, which is extendable by the Company for a further twenty years. The sub-lease grants the Company the exclusive right to quarry, process, remove and sell marble from the quarry. The Company will pay for and provide all the equipment and staff required to operate this quarry. The quarry is not yet operational.

On the 8 October 2018 the Company acquired Gulf Marble Investments Limited (UAE). As part of this acquisition the Group re-acquired a 40% gross revenue royalty over the revenues of the Prilep Alpha quarry. The value of this intangible has been recognised as intangible asset with a value of €1,469,464 which will be amortised over the remaining period of the licence. Further detail on this acquisition can be found in note 15. The acquisition gave rise to a deferred tax liability and a corresponding entry to goodwill of €84,504.

Intangible assets relating to quarries not yet in operation are treated as exploration and evaluation assets and assessed for impairment in accordance with IFRS 6 Exploration and evaluation of mineral resources. The Group has assessed intangible assets for indicators of impairment and concluded there are no indicators of

impairment arising in the current year.

Other intangible relating to quarries in operation include amounts spent by the Group acquiring licences. Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. Intangible assets relating to quarries in operation are assessed annually for indicators of impairment in accordance with in accordance IAS 36.

11. Property, plant and equipment

	Construction in Progress	Quarry Plant & Machinery	Factory Plant & Machinery	Land	Office Equipment and Leasehold improvements	Total
	€	€	€	€	€	€
<i>Cost</i>						
As at 1 January 2017	2,786,775	2,746,736	-	160,000	30,101	5,723,612
Additions	253,815	242,164	-	-	387	496,366
Transfers	(3,040,590)	-	3,040,590	-	-	-
As at 31 December 2017 and as at 1 January 2018	-	2,988,900	3,040,590	160,000	30,488	6,219,978
Additions ⁽¹⁾	-	322,593	390,722	-	-	713,315
As at 31 December 2018	-	3,311,493	3,431,312	160,000	30,488	6,933,293
<i>Accumulated depreciation</i>						
As at 1 January 2017	-	1,038,199	-	-	22,843	1,061,042
Depreciation charge	-	355,585	44,949	-	4,315	404,848
As at 31 December 2017 and as at 1 January 2018	-	1,393,784	44,949	-	27,158	1,465,891
Depreciation charge ⁽²⁾	-	526,490	93,459	-	2,701	622,650
As at 31 December 2018	-	1,920,274	138,408	-	29,859	2,088,541
<i>Net Book Value</i>						
As at 1 January 2017	2,786,775	1,708,537	-	160,000	7,258	4,662,570
As at 31 December 2017	-	1,595,116	2,995,641	160,000	3,330	4,754,087
As at 31 December 2018	-	1,391,219	3,292,904	160,000	629	4,844,752

(1) Included in additions of €713,315 in the year ended 31 December 2018 are €213,469 of assets acquired as result of the acquisition of Gulf Marble Investments Limited. See note 15 for further details.

- (2) Depreciation on plant and machinery is included in the cost of inventory to the extent it is directly related to production of that inventory. In the year ended 31 December 2018 €532,284 of depreciation was included in the cost of inventory produced (2017 - €305,654).

The Company has assessed property, plant and equipment for indicators of impairment and concluded there are no indicators of impairment arising in the current year. During the year ended 31 December 2017 the Company completed work on its marble processing factory and therefore transferred €3,040,590 of assets from construction in progress to Factory Plant & Machinery.

12. Borrowings

	2018	2017
	€	€
Current borrowings		
Convertible loan notes held at amortised cost	85,259	1,026,120
Other borrowings held at amortised cost	-	572,794
Derivative over own equity at fair value	3,711	140,111
	88,970	1,739,025
Non-current borrowings		
Convertible loan notes held at amortised cost	2,871,292	670,294
Other borrowings held at amortised cost	553,950	798,370
Derivative over own equity at fair value	258,748	233,788
	3,683,990	1,702,453

a) Series 1 Loan Note

On 31 August 2012, the Company issued a €1,295,278 (£1,060,000) fixed rate convertible unsecured loan note 2017 under the terms of the agreement signed 24 August 2012 with Amati Global Investors Limited ("Series 1 Loan Note").

As at 31 December 2017, the Series 1 Loan Note held at amortised cost had a balance of €1,026,120 (2016 - €1,219,471). The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2017 the derivative had a value of €140,111 (2016 - €70,531). The fair value has been assessed using a Black Scholes methodology. The derivative is classified as a level 3 derivative on the basis that the valuation includes one or more significant inputs not based on observable market data.

On 30 January 2018, the facility and any outstanding accrued interest of the Series 1 Loan Note was repaid in full. The derivative had a carrying value of €140,111 at redemption.

b) Series 3 Loan Note

On 28 June 2017, the Company issued a convertible loan note with a value of £440,000 ("Series 3 Loan Note") to a non related party. This new Series 3 Loan Note has an interest rate of 8% per annum, in line with the Series 1 Loan Note issued to Amati Global Investors Limited. The Loan Note is due for conversion or repayment on 31 August 2020 with a conversion price set at 10p.

As at 31 December 2018, the Series 3 Loan Note held at amortised cost had a balance of €489,235 (31 December 2017 - €495,616). The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2018 the derivative had a value of €16,818 (31 December 2017 - €171,891). The fair value has been assessed using a Black Scholes methodology. The derivative is classified as a level 3 derivative on the basis that the valuation includes one or more significant inputs not based on observable market data.

c) Series 4 Loan Note

On 28 December 2017, the Company issued a convertible loan note with a value of £160,000 ("Series 4 Loan Note") to a non related party. This new Series 4 Loan Note has an interest rate of 8% per annum, in line with the Series 1 Loan Note issued to Amati Global Investors Limited. The Loan Note is due for conversion or repayment on 31 August 2020 with a conversion price set at 10.5p.

As at 31 December 2018, the Series 4 Loan Note held at amortised cost had a balance of €174,202 (31 December 2017 - €174,678). The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2018 the derivative had a value of €7,918 (31 December 2017 - €61,897). The fair value has been assessed using a Black Scholes methodology. The derivative is classified as a level 3 derivative on the basis that the valuation includes one or more significant inputs not based on observable market data.

d) Series 5 Loan Note

On 3 January 2018, the Company issued a convertible loan note with a value of £75,000 ("Series 5 Loan Note") to a non related party. This new Series 5 Loan Note has an interest rate of 8% per annum. The Loan Note is due for conversion or repayment on 31 December 2019 with a conversion price set at 10.5p.

As at 31 December 2018, the Series 5 Loan Note held at amortised cost had a balance of €85,259. The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2018, the derivative had a value of €3,711. The fair value has been assessed using a Black Scholes methodology. The derivative is classified as a level 3 derivative on the basis that the valuation includes one or more significant inputs not based on observable market data.

e) Series 6 Loan Note

On 30 July 2018, the Company issued a convertible loan note with a value of £300,000 ("Series 6 Loan Note") to a non related party. This new Series 6 Loan Note has an interest rate of 8% per annum. The Loan Note is due for conversion or repayment on 30 July 2020 with a conversion price set at 10.5p.

As at 31 December 2018, the Series 6 Loan Note held at amortised cost had a balance of €331,310. The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2018, the derivative had a value of €24,121. The fair value has been assessed using a Black Scholes methodology. The derivative is classified as a level 3 derivative on the basis that the valuation includes one or more significant inputs not based on observable market data.

f) Series 7 Loan Note

On 30 September 2018, the Company issued a convertible loan note with a value of £300,000 ("Series 7 Loan Note") to a non related party. This new Series 6 Loan Note

has an interest rate of 8% per annum. The Loan Note is due for conversion or repayment on 30 September 2020 with a conversion price set at 10.5p.

As at 31 December 2018, the Series 7 Loan Note held at amortised cost had a balance of €335,043. The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2018, the derivative had a value of €27,222. The fair value has been assessed using a Black Scholes methodology.

g) Convertible Loan Notes 2020

As consideration for the acquisition of Gulf Marble Investments limited has issued an Unsecured Convertible Loan Note ("Gulf Loan Note") in the amount of €1.785 million. Under the terms of the Loan Note, the holder may elect to convert at a conversion price of 130% of the 3 month volume weighted average share price. The Loan Note is repayable from the 1 October 2020. The Loan Note carries an interest rate of Libor plus 1.5% payable annually in arrears.

As at 31 December 2018, the Gulf Loan Note held at amortised cost had a balance of €1,541,502. The Stockholders' option to convert the loan has been treated as an embedded derivative and measured at fair value. As at 31 December 2018, the derivative had a value of €182,669. The fair value has been assessed using a Black Scholes methodology. The derivative is classified as a level 3 derivative on the basis that the valuation includes one or more significant inputs not based on observable market data.

h) Other Borrowings

On 10 February 2017, the Company entered into a short term finance arrangement with Peers Hardy (UK) Limited for £500,000 repayable on the 10 August 2017 at an interest rate of 15%. The term of the facility was increased at the Company's request to 31 October 2018. As at 31 December 2017 the loan note held at amortised cost had a balance of €572,794. The facility was fully repaid on the 30 January 2018.

On 2 June 2017, the Company entered into a £1,000,000 facility arrangement with Brandon Hill Capital Limited, which may be drawn down at the Company's request. As at 31 December 2017 £200,000 had been drawn down under this facility. As at 31 December 2017 the loan note held at amortised cost had a balance of €233,213. Brandon Hill Capital Limited agreed to convert their outstanding loan into new Ordinary Shares at 10.5p per share as part of the Placing announced by the Company on 3 January 2018. On 22 January 2018 1,904,761 Ordinary Shares were issued in full settlement of the outstanding liability. The facility remains in place till 30 June 2020.

On 7 December 2017, the Company announced that it had received an unsecured loan of £500,000 from Roy Harrison OBE, a non-executive director of the Company. As at 31 December 2017, the loan note held at amortised cost had a balance of €565,158. Roy Harrison agreed to convert his outstanding loan into new Ordinary Shares at the 10.5 pence per share as part of the Placing announced by the Company on 3 January 2018. On 22 January 2018 4,761,904 Ordinary Shares were issued in full settlement of the outstanding liability.

At 31 December 2018 the Company held £500,000 of other borrowings. These were funds received in advance of a loan note issued in 2019, further details of which can be found in note 16.

The directors consider that the carrying amount of borrowings approximates their fair value at 31 December 2018.

13. Share capital

	2018 Number	2017 Number	Share capital 2018 €	Share capital 2017 €	Share premium 2018 €	Share premium 2017 €
Issued, called up and fully paid Ordinary shares of £0.01 each						
At 1 January	181,344,851	181,067,074	2,284,476	2,281,345	26,424,202	26,399,156
Issued in the year	36,540,471	277,777	416,212	3,131	3,517,775	25,046
At 31 December	217,885,322	181,344,851	2,700,688	2,284,476	29,941,977	26,424,202

The Company has one class of ordinary share capital.

- a. On a resolution at a general meeting, every member (whether present in person, by proxy or authorised representative) has one vote in respect of each ordinary share held by him.
- b. All ordinary shares rank equally in the right to participate in any approved dividend distribution applicable to this class of share.
- c. Except as otherwise provided below, all dividends must be
 - i. Declared and paid according to the amounts paid up on the shares on which the dividend is paid; and
 - ii. Apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.
- d. If any share is issued in terms of providing that it ranks for dividend as from a particular date that share ranks for dividend accordingly.
- e. In the event of any winding up all shares will rank equally in relation to distribution of capital.
- f. All shares are non-redeemable.

On 19 January 2018, following the passing of all authorities at a General Meeting held on that day, the Company issued 14,692,852 ordinary shares at 10.5p per share. On 29 January 2018 the Company issued 19,047,619 ordinary shares to Kesari Tours PVT Limited at a price of 10.5p per share.

On 14 August 2018, the Company issued 2,800,000 ordinary shares to consultants and employees in reflection of the work performed at the Company.

The Company recognised £139,864 in transaction costs in relation to the issue of share capital within share premium in the year to 31 December 2018 (2017 - nil).

On 12 February 2019, the Company issued 13,263,161 ordinary shares at 9.5p per share. Further details are included in note 16.

14. Accumulated losses

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
At 1 January	(22,823,182)	(19,385,793)
Adjustment on adoption of IFRS 9	(34,094)	-
Restated opening balance	(22,857,276)	(19,385,793)
Loss for the year	(2,296,379)	(3,437,389)
At 31 December	(25,153,655)	(22,823,182)

Accumulated losses for the Group and Company include a charge of €6,035,228 incurred in the year ended 31 December 2012.

Between 25 August 2011 and 29 September 2011 Fox Marble Limited issued €1,508,807 (£1,195,000) of unsecured convertible loan notes due 2016 ("Pre IPO loan note"). In the event of admission of the Company and its parent to AIM these loan notes were to convert to a variable number of ordinary shares of the Company to provide a conversion value of 5:1. On the 24 August 2012, following the acquisition of Fox Marble Limited by Fox Marble Holdings plc the loan notes were novated from Fox Marble Limited to Fox Marble Holdings plc.

Following the admission of the Company to AIM on the 31 August 2012 the loan notes with a carrying value of €1,508,807 (£1,195,000) were converted into 29,875,000 shares at an issue price of 20p, with a total value of €7,544,035 (£5,975,000) resulting in a non-cash accounting charge of €6,035,228 being recognised in the statement

15. Business Combinations

On the 8 October 2018 the Company acquired 100% of the share capital of Gulf Marble Investments Limited (Dubai) its joint venture partner based in the Prilep Alpha Quarry in Macedonia, including all the rights attached to that Company.

On the 4 July 2013 Fox Marble announced the acquisition of quarry rights in Prilep Alpha in Macedonia. Under the terms of the original agreement, Gulf Marble Investments Limited provided the funds to acquire the license to the site and capital investment amounting to €1.7 million, and then entered into an operating agreement with Fox Marble to operate the quarry. In compensation Gulf Marble Investments Limited was provided with a royalty amounting to 40% of the gross revenues received from the sale of its block marble from the quarry.

Through the acquisition of 100% of the share capital of Gulf Marble Investments Limited, Fox Marble has effectively re-acquire all the 40% gross revenue royalty, as well as all the assets and capital equipment held by the entity.

As consideration for the acquisition Fox Marble has issued an Unsecured Convertible Loan Note in the amount of €1.785 million. Under the terms of the Loan Note, the holder may elect to convert at a conversion price of 130% of the 3 month volume weighted average share price. The Loan Note is repayable from the 1 October 2020. The Loan Note carries

an interest rate of Libor plus 1.5% payable annually in arrears. Further details are included in note 12. At inception the fair value of this loan was €1,682,933, and €1,724,171 at 31 December 2018.

	€
Fair value of consideration issued (note 12)	
Loan note issued	1,516,410
Embedded derivative	166,523
	1,682,933
The assets and liabilities recognised as a result of the acquisition are as follows:	
Plant and equipment	213,469
Goodwill	84,504
Intangible asset – mining licence (note 11)	1,469,464
Deferred tax liability	(84,504)
Net assets acquired	1,682,933

As permitted by IFRS 3 Business Combinations, the business combination is accounted for using provisional amounts. Any adjustments to the provisional amounts will be made within the measurement period to reflect new information obtained about fact and circumstances that were in existence at the acquisition date. The measurement period cannot exceed one year from the acquisition date.

The intangible asset relates to the mining licence owned by Gulf Marble Investments Limited (Dubai). To determine the fair value of the mining licence management used as discounted cash flow model to estimate the expected future cash flows of the quarry, based on the estimates of future production and sales prices, operating costs and forecast capital expenditures over the remaining period of the licence. A post tax discount rate of 10% has been applied to discount future cash flows.

The goodwill arising on the completion of the transaction, amounting to €84,504 is equal to the technical deferred tax liability which arises on the difference between the assigned fair value of the acquired assets and liabilities on consolidation and their fair value tax base in accordance with IFRS 3.

Acquisition-related costs of €13,489 are included in administrative expenses in the income statement and in operating cash flows in the statement of cash flows.

The acquired business contributed a net loss of €9,327 to the group for the period from 8 October 2018 to 31 December 2018. If the business had been acquired at 1 January 2018 the impact on revenue would be nil and the net loss would have been €37,308.

16. Events after the reporting period

Fox Marble issued 13,263,161 new ordinary shares in the Company at 9.5p per share on the 7 February 2019. Gross proceeds of this issue of equity amounts to £1,260,000. The New Ordinary Shares rank pari passu with the existing ordinary shares.

Fox Marble issued a further £700,000 in Convertible Loan Notes under the same terms as existing Loan Notes issued by the Company. The Convertible Loan Notes will carry an interest rate of 8%, per annum. The Convertible Loan Notes are due for conversion or repayment on 4 February 2021 with a conversion price set at 10.5p.

Proceeds from the issue of shares have been used to fund capital equipment at Fox Marble's quarry sites to expand production capabilities to supply increased demand for material in 2019.

On 4 April 2019 Fox Marble, announced that it had conditionally agreed to acquire Green Power Sh.p.k ("Green Power") the licence holder of the Maleshevë quarry and Scope Sh.p.k. ("Scope"), a company through which Fox Marble has entered into two hire purchase agreements (the "Acquisitions" or "Transactions").

The acquisitions give Fox Marble the direct rights to the Maleshevë quarry in their entirety, eliminate the annual royalty which would have been due under the operating agreement, and reduce monthly outgoings for equipment and maintenance at the factory.

Fox Marble has conditionally acquired the entire share capital of Green Power, for a consideration of £1,000,000 to be satisfied by the issue of 13,000,000 new ordinary shares in the Company at a price that equates to 7.69 pence per share.

In the period since entering into the initial agreement with Green Power for nil consideration no royalty payment has been paid, due to the costs associated with development of the quarry. However with increasing production and expected sales of the materials it is anticipated that royalty payments over the remaining period of the agreement are expected to be paid and as such the Board believes that it is in the best interest of the Company to control the asset.

In 2018 and 2019, Fox Marble entered into certain hire purchase arrangements with Scope, a company incorporated in Kosovo, to acquire and install in its factory certain equipment including a new CNC machine which was announced on 16 April 2018. The consideration paid for Scope is less than the value of the future payments due under the hire purchase agreements being acquired as part of its acquisition.

The Company has, as conditionally agreed to acquire the entire issued share capital of Scope for a consideration of £300,000 to be satisfied by the issue of 3,000,000 new ordinary shares in the Company at a price that equates to 10 pence per share.

The acquisitions are conditional, inter alia, on shareholders approving certain resolutions at the forthcoming Annual General Meeting of the Company relating to authorities to issue new ordinary shares in the Company.

All of the new ordinary shares being issued as part of the acquisitions will be subject to lock-in provisions of 2 years with a further twelve month period being subject to orderly market agreement.

The operating results and assets and liabilities of the acquired companies will be consolidated upon approval of the acquisition. At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Scope Sh.p.k and Green Power Sh.p.k. It is not yet possible to provide detailed information about the fair values of assets and liabilities being acquired and any contingent liabilities of the acquired entity.

17. Information

Copies of the Annual Report and Financial Statements will be posted to shareholders. Further copies will be available from Fox Marble Holding plc's registered office at 15 Kings Terrace, London, NW1 OJP or on the Company's website at www.foxmarble.net.