Cornish Lithium Ltd

Unaudited Consolidated Statement of Comprehensive Income
for the period ended 30 June 2022

	6 months to 30 June 2022 £	12 months to 31 December 2021 £
Administrative expenses	**(2,274,767)**	(2,840,198)
Other operating income	**339,487**	213,993
Loss from operations	**(1,935,280)**	(2,626,205)
Finance expenses	**(759,257)**	(1,543)
Finance income	**-**	1,151,181
Loss before taxation	**(2,694,537)**	(1,476,567)
Taxation	**125,045**	33,191
Total comprehensive loss for the period/year	**(2,569,492)**	(1,443,376)
Loss for the period/year attributable to:		
Non-controlling interests	**15,621**	2,774
Owners of the parent Company	**(2,585,113)**	(1,446,150)
	(2,569,492)	(1,443,376)

All amounts relate to continuing operations.

There were no recognised gains and losses for the period ended 2022 or 2021 other than those included in the unaudited consolidated statement of comprehensive income.

Cornish Lithium Ltd
Registered number:10205021

Unaudited Consolidated Statement of Financial Position
as at 30 June 2022

	30 June 2022 £	31 December 2021 £
Non-current assets		
Intangible assets	**9,025,146**	6,272,476
Property, plant and equipment	**1,696,115**	516,002
Trade and other receivables	**162,616**	271,047
Right of use assets	**16,652**	22,232
	10,900,529	7,081,757
Current assets		
Trade and other receivables	**1,330,985**	1,816,258
Derivative financial asset	**448,872**	1,212,910
Cash and cash equivalents	**16,800,938**	11,965,639
	18,580,795	14,994,807
Total assets	**29,481,324**	22,076,564
Current liabilities		
Lease liabilities	**(7,000)**	(8,994)
Trade and other payables	**(1,293,900)**	(877,455)
	(1,300,900)	(886,449)
Non-current liabilities		
Lease liabilities	**(6,085)**	(7,985)
Total liabilities	**(1,306,985)**	(894,434)
Deferred tax	**(73,555)**	(218,722)
Net assets	**28,100,784**	20,963,408

Cornish Lithium Ltd
Registered number:10205021

Unaudited Consolidated Statement of Financial Position (continued)
as at 30 June 2022

	30 June 2022 £	31 December 2021 £
Issued capital and reserves attributable to owners of the parent		
Share capital	**59,281**	535
Share premium	**8,995,500**	25,396,310
Share option reserve	**466,268**	579,406
Retained earnings	**18,579,735**	(5,015,618)
	28,100,784	20,960,633
Non-controlling interests	**-**	2,775
Total equity	**28,100,784**	20,963,408

Cornish Lithium Ltd

Unaudited Consolidated Statement of Changes in Equity
for the period ended 30 June 2022

	Share capital	Share premium account	Share option reserve	Retained earnings	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 January 2022	535	25,396,310	579,406	(5,015,618)	20,960,633	2,775	20,963,408
Comprehensive loss for the period							
Loss for the period	-	-	-	(2,585,113)	(2,585,113)	15,621	(2,569,492)
Contributions by and distributions to owners							
Issue of ordinary and bonus shares	58,846	9,853,458	-	-	9,912,304	-	9,912,304
Cancellation of share premium	-	(26,164,007)	-	26,164,007	-	-	-
Cancellation of nil paid shares	(100)	(90,261)	-	-	(90,361)	-	(90,361)
Share based payment	-	-	(113,138)	-	(113,138)	-	(113,138)
Step acquisition	-	-	-	16,459	16,459	(18,396)	(1,937)
At 30 June 2022	59,281	8,995,500	466,268	18,579,735	28,100,784	-	28,100,784

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Consolidated Statement of Changes in Equity
for the year ended 31 December 2021

	Share capital	Share premium	Share option reserve	Retained earnings	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 January 2021 (As restated)	**408**	**9,735,516**	**425,461**	**(3,569,468)**	**6,591,917**	**-**	**6,591,917**
Comprehensive loss for the year							
Loss for the year	**-**	**-**	**-**	**(1,446,150)**	**(1,446,150)**	**2,774**	**(1,443,376)**
Contributions by and distributions to owners							
Issue of shares	**127**	**15,660,794**	**-**	**-**	**15,660,921**	**-**	**15,660,921**
Share based payment	**-**	**-**	**153,945**	**-**	**153,945**	**-**	**153,945**
Non-controlling interest on acquisition	**-**	**-**	**-**	**-**	**-**	**1**	**1**
At 31 December 2021	**535**	**25,396,310**	**579,406**	**(5,015,618)**	**20,960,633**	**2,775**	**20,963,408**

Cornish Lithium Ltd

Unaudited Consolidated Statement of Cash Flows
for the period ended 30 June 2022

	6 months to 30 June 2022 £	12 months to 31 December 2021 £
Cash flows from operating activities		
Loss for the financial period	**(2,569,492)**	(1,443,376)
Adjustments for:		
Amortisation of intangible assets	**76,490**	152,775
Depreciation of property, plant and equipment	**38,168**	58,628
Government grants	**(66,037)**	(176,182)
Amortisation of right of use assets	**5,580**	4,973
Finance expenses	**769**	1,530
Income tax receivable/(payable)	**20,122**	398,087
Decrease/(increase) in trade and other receivables	**503,445**	(1,649,290)
Increase/(decrease) in trade and other payables	**396,323**	305,699
Corporation tax received	**-**	274,430
Share based payment expense	**(113,138)**	153,945
Change in value of derivative financial assets	**758,488**	(1,151,168)
Deferred tax	**(145,167)**	218,722
Foreign exchange movement	**5,550**	-
Net cash used in operating activities	**(1,088,899)**	(2,851,227)
Cash flows from investing activities		
Purchase of intangible assets	**(2,829,160)**	(2,419,223)
Purchase of plant, property and equipment	**(1,218,282)**	(460,657)
Government grants received	**66,037**	176,182
Purchase of fixed asset investments	**-**	(9)
Cash paid on increased shareholding	**(1,938)**	-
Net cash used in investing activities	**(3,983,343)**	(2,703,707)

Unaudited Consolidated Statement of Cash Flows (continued)
for the period ended 30 June 2022

	6 months to 30 June 2022 £	12 months to 31 December 2021 £
Cash flows from financing activities		
Issue of ordinary shares	**9,912,204**	15,660,921
Principal paid on lease liabilities	**(3,894)**	(10,228)
Interest paid	**(39)**	(898)
Interest paid on lease liabilities	**(730)**	(634)
Dividends paid to non-controlling interests	**-**	(1)
Net cash used in financing activities	**9,907,541**	15,649,160
Net increase in cash and cash equivalents	**4,835,299**	10,094,226
Cash and cash equivalents at beginning of period	**11,965,639**	1,871,413
Cash and cash equivalents at the end of period	**16,800,938**	11,965,639
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	**16,800,938**	11,965,639
	16,800,938	11,965,639

Unaudited Notes to the Consolidated Financial Information for the period ended 30 June 2022

1. General information

Cornish Lithium Ltd (the "Company") is a private Company, limited by shares and incorporated in the United Kingdom and is registered in England & Wales. The nature of the Company's operations and principal activities are that of research activities relating to the identification and extraction of technology metals.

2. Accounting policies

2.1 Basis of preparation of financial information

The principal accounting policies adopted in the preparation of the interim unaudited Consolidated Financial Information are set out below. The policies have been consistently applied to all group companies in all of the periods presented, unless otherwise stated.

The interim unaudited Consolidated Financial Information for the period ended 30 June 2022 show the consolidated position of the Group. The interim unaudited Financial Information is presented in pounds sterling, which is also the Group's functional currency. Amounts are rounded to the nearest pound, unless otherwise stated.

The interim unaudited Consolidated Financial Information has been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK.

On 1st January 2021 UK-adopted IAS and EU-adopted IFRS were identical. Since this date timing differences in endorsements have arisen, however no amendments would be required to these financial information if they were to be prepared with EU adopted IFRS as at 30 June 2022.

Accordingly, the Group has prepared unaudited financial information that complies with IFRS applicable as at 30 June 2022, together with the comparative period data for the year ended 31 December 2021, as described in the summary of significant accounting policies.

The preparation of unaudited financial information in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the Financial Information and their effect are disclosed in Note 3.

2.2 Basis of measurement

The interim unaudited Consolidated Financial Information have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments – fair value through profit or loss

2. Accounting policies (continued)

2.3 Basis of consolidation

The interim unaudited Consolidated Financial Information consolidates the Financial Information of Cornish Lithium Ltd and of its subsidiary undertakings drawn up to 30 June 2022 using the acquisition method of accounting.

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of the elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether defacto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights, relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and by other parties;
- Other contractual arrangements;
- Historic patterns in voting attendance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the Consolidated Financial Information from the date the Group gains control until the date the Group ceases to control the subsidiary. Where the Group’s interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interests (NCIs).

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Information of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

On 28th March 2022, the Company acquired an additional 10% interest in Geocubed Limited resulting in Cornish Lithium Ltd becoming the sole shareholder of Geocubed Limited. Using the acquisition method of accounting, the Company no longer recognises a non-controlling interest in this subsidiary.

2. Accounting policies (continued)

2.3 Basis of consolidation (continued)

The following were subsidiary undertakings of the Group:

Name	Registered office	Class of shares	Holding
Geocubed Limited	United Kingdom	Ordinary	100%
Cornish Lithium G5 Ltd	United Kingdom	Ordinary	100%
Ecocopper Cornwall Limited	United Kingdom	Ordinary	100%
Ecolithium Cornwall Limited	United Kingdom	Ordinary	100%
Ecocobalt Cornwall Limited	United Kingdom	Ordinary	100%
Ecometals Cornwall Limited	United Kingdom	Ordinary	100%
Ecotin Cornwall Limited	United Kingdom	Ordinary	100%

All shareholdings are held directly.

The registered office of all subsidiary undertakings is Tremough Innovation Centre, Penryn, Cornwall, United Kingdom.

The principal activity of Geocubed Limited is to develop and install a pilot plant for direct lithium extraction from deep geothermal brines in the UK.

The principal activity of Cornish Lithium G5 Limited is to develop and operate hard rock lithium projects derived from G5 granite in the St Austell region in Cornwall.

The remaining subsidiary undertakings are dormant.

2.4 Adoption of New and Revised International Financial Reporting Standards

New standards, interpretations and amendments effective from 1 January 2022

The following new standards impacting the Company have been adopted in the interim unaudited consolidated Financial Information for the period ended 30 June 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

2. Accounting policies (continued)

2.4 Adoption of New and Revised International Financial Reporting Standards (continued)

New standards, interpretations and amendments not yet effective

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that ‘settlement’ includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The adoption of these new or amended Accounting Standards and Interpretations is not expected to have any significant impact on the financial performance or position of the Group.

<u>Other standards</u>

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

2.5 Going concern

The financial information have been prepared on the going concern basis which assumes the continuity of normal business activity and the realization of assets and settlement of liabilities in the normal course of business.

The Group is still in the exploration and evaluation stage of its development and is reliant on equity funding to fund its testwork, development plans and operations including capital expenditure required to construct any of its development Projects. The stage of development of the Group is very early in the life cycle of its projects with new, highly innovative and unproven technologies being developed to execute its business plan. There can be no assurance that the scale up of these technologies will be successful in the commercial context of the Group.

The Board has reviewed and challenged the completeness and accuracy of the Group’s financial projections for the next 12 months. This review included the Group’s current development plans and expenditures, its forecast fixed overheads, its commitments and its existing cash resources which will be used to fund these expenditures. Further, whilst the Board cannot guarantee further investment, it remains confident it will be forthcoming based on the progress being made at the Group’s development projects, its current expenditure levels and the strong lithium market backdrop.

Based on the above, the Board, at the time of approving these interim unaudited Consolidated Financial Information, has a reasonable expectation that the Company will continue in operational existence for the foreseeable future and has adopted the going concern basis.

2. Accounting policies (continued)

2.6 Share based payments

Share based compensation benefits are provided to employees via the Cornish Lithium Employee Option Plan, an employee share scheme, the executive short-term incentive scheme and share appreciation rights.

Employee options

The fair value of options granted under the Cornish Lithium Option Plan is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (such as the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (such as the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Other share options and warrants

Where other share options are issued, the fair value of the options at the date of grant is equally charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

2. Accounting policies (continued)

2.7 Intangible assets

Externally acquired intangible assets are initially measured at cost. After initial recognition, intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Amortisation

Amortisation is charged over the useful lives of any intangible fixed assets and has been assessed as follows:

Patents and licences	-	Straight-line basis over the 15 year life of the license
Computer software	-	Straight-line basis over 3 years
Exploration and evaluation costs	-	No amortisation is charged in the exploration and evaluation phase

The residual value, useful life and amortisation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. The amortisation charge for each year is recognised in the profit or loss account.

Impairment tests are performed on intangible assets where there is an indicator that they may be impaired. When the carrying amount of an item of intangibles are assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in the consolidated Statement of Comprehensive Income. Any intangible is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising from the derecognition is included in the consolidated Statement of Comprehensive Income.

2. Accounting policies (continued)

2.8 Other intangible assets

Exploration and evaluation costs

During the initial stage of a project, exploration costs are expensed in the consolidated Statement of Comprehensive Income as incurred. Exploration expenditure incurred in relation to those projects where such expenditure is considered likely to be recoverable through future extraction activity or sale or where the exploration activities have not reached a stage that permits a reasonable assessment of the existence of reserves, are capitalised and recorded on the balance sheet within exploration and evaluation assets for mining projects at the exploration stage. Capitalised evaluation and exploration costs are classified as intangible assets.

Exploration and evaluation expenditure comprise costs directly attributable to:

- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods;
- Compiling pre-feasibility and feasibility studies; and
- Costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration and evaluation assets are subsequently valued at cost less impairment. In circumstances where a project is abandoned, the cumulative capitalised costs related to the project are written off in the period when such decision is made. Exploration and evaluation assets are not depreciated. These assets are transferred to mine development costs within property, plant and equipment when a decision is taken to proceed with the development of the project that is when a bankable feasibility study is obtained, and project finance is in place.

The Group has concluded three key exploration agreements for defined areas within Cornwall and continues to negotiate further exploration agreements. The three exploration agreements entered into by the Group each grant the Group exclusive licenses to explore for Lithium, other minerals and geothermal energy contained within liquid brines and, in the case of one of the agreements, host hard-rock within the respective defined exploration areas. The exploration licenses are renewable on an annual basis for no less than ten additional years and subject to an annual payment which is payable in shares in the capital of the Company or, in certain circumstances, cash.

Each exploration license further grants the Group an option to enter into an agreed form 99 year mining lease which affords the Group the right to extract and process minerals from the liquid brine and to utilise geothermal energy from the respective defined land areas once planning permission for the same has been granted. Each lease contains an agreed royalty payment based on gross revenue attributable to sales of the minerals and geothermal energy covered by the respective mining lease. Each of the mining leases grant the Group the right to enter the land insofar as the surface is owned by the counter party to the licensing agreement. To the extent that the surface is owned by a third party, the Group would need to negotiate access rights to develop any mining project. To date, the Group has not exercised its option to enter into any of the mining leases as it continues to evaluate the minerals within each of the respective exploration licenses.

2. Accounting policies (continued)

2.9 Tangible fixed assets

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. The cost of an item of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition, all property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Right of use asset	- over the life of the lease
Plant and machinery	- 3 years straight line
Computer equipment	- 3 years straight line
Exploration and evaluation assets	- Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.10 Finance income

Finance income is recognised in the consolidated statement of comprehensive income using the effective interest method.

2.11 Finance expense

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.12 Employee benefit costs

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

2. Accounting policies (continued)

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.14 Financial assets

Financial instruments are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value adjusted for any directly attributable transaction costs.

Financial assets carried at amortised cost

Financial assets carried at amortised cost are classified as loans and receivables and comprise trade and other receivables and cash and cash equivalents. Loans and receivables are non- derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Impairment - credit loss allowance for ECL:

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

2. Accounting policies (continued)

2.14 Financial assets (continued)

Fair value through profit or loss

This category comprises in-the-money and out-of-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

2.15 Financial liabilities

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and borrowings. Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

2.16 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

2. Accounting policies (continued)

Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

if the renegotiation results in one or more additional assets being leased for an amount commensurate with the stand-alone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss.

The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

2. Accounting policies (continued)

Leases (continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low- value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Low value-leases are considered to be all leases where the individual value of the underlying assets is below £5,000, or where the lease is equal to or shorter than one year.

2.17 Taxation

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the Financial Information.

Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). However, for deductible temporary differences associated with investments in subsidiaries a deferred tax asset is recognised when the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

2. Accounting policies (continued)

2.17 Taxation (continued)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group Company, or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settle or recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

2.18 Grants

The amounts represented in other operating income relate to grants provided by external parties in order to assist with the funding of the Group. Government grants are recognised when there is reasonable assurance that the entity will comply with the conditions related to them and that the grants will be received.

Grants related to income are recognised in the consolidated statement of comprehensive income on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. They are either offset against the related expense or presented as income, either separately or under a general heading such as ‘other income’. The timing of such recognition in the consolidated statement of comprehensive income will also depend on the fulfilment of any conditions or obligations attaching to the grant.

Government grants received in relation to capitalised exploration and evaluation assets are netted off against the carrying value of the exploration and evaluation asset.

Government grants that are due to be received after the year end and where the conditions have been met are recognised as accrued income in trade and other receivables.

2.19 Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

2.20 Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3. Critical accounting estimates and judgements

The Group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 Key management judgements

Non-current asset impairment testing

The Group reviews its intangibles, and other non-current assets if indicators exist for impairment at each reporting date. The Group also assesses impairment indicators on its investment in subsidiaries that is directly linked with the outcome of the impairment assessment of intangibles, and other non-current assets that are owned by the Group through its subsidiaries.

The assessment of impairment indicators requires judgement to be exercised and changes in circumstances means such judgements may not be borne out over time. In order to assess if impairment exists, management estimates discounted future cash flows, residual values and the remaining economic lives of assets, a suitable discount rate and recoverable amounts based on comparable market transactions. Market factors affecting expected future revenue, utilisation rates, operating expenses and residual values may affect the discounted future cash flows. Actual outcomes may differ from the estimates and judgements made which could result in potential impairment losses recognised in future periods.

Recoverability of exploration and evaluation assets

Exploration and evaluation assets include mineral rights and exploration costs, including geophysical, topographical, geological, drilling and geological modelling and similar types of costs. Exploration and evaluation costs are capitalised if management concludes that future economic benefits are likely to be realised and determines that economically viable extraction operation can be established as a result of exploration activities and internal assessment of mineral resources.

According to IFRS 6 Exploration for and evaluation of mineral resources, the potential indicators of impairment include: management's plans to discontinue the exploration activities, lack of further substantial exploration expenditure planned, expiry of exploration licenses in the period or in the nearest future, or existence of other data indicating the expenditure capitalised is not recoverable. At the end of each reporting period, management assesses whether such indicators exist for the exploration and evaluation assets capitalised, which requires significant judgement.

Costs capitalised to exploration and evaluation assets

Judgement is applied in the determination of the type of costs that are capitalised to exploration and evaluation assets as described in the accounting policy note above. Payroll costs that are directly attributable to exploration and evaluation related activities are capitalised. At 30 June 2022, management does not consider there to be any indications of impairment in respect of the assets included in the exploration and evaluation costs. Management has budgeted the costs for further development of these assets however their recoverability is dependent on future funding.

3. Critical accounting estimates and judgements

Recoverability of property, plant and equipment

According to IAS 36 the determination of the recoverable amount of assets, the estimates, judgements and assumptions applied for the value in use calculations relate primarily to growth rates, expected changes to average selling prices, shipments and direct costs. Assumptions for average selling prices and shipments are based on market consensus prices. Discount rates are reviewed annually.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

3.2 Key management estimates

Share based payments

Estimating fair value for share based payment transactions require determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

For the measurement of the fair value of equity settled transactions with employees and contractors at the grant date, the Group uses the Black Scholes model.

Determination of the incremental borrowing rate used to measure lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group’s incremental borrowing rate on commencement of the lease is used. See note 15 for details regarding judgements and factors considered by management in arriving at a suitable incremental borrowing rate for use in discounting lease cash flows. The lease liabilities are not material and therefore the accounting estimates used are not considered critical.

3. Critical accounting estimates and judgements

Fair value measurement

The derivative financial asset of the Group's Consolidated Financial Information requires measurement at fair value.

The fair value measurement of the Group's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The derivative financial asset is classified as level 2. The main inputs that materially impact the value are level 1, whilst market practise is used for calculating volatility which is considered level 2. Sensitivity analysis of this level 2 input indicates that it does not have a material impact on the value.

Transfers of items between levels are recognised in the period they occur.