Cornish Lithium Plc (formerly Cornish Lithium Ltd)

Annual Report & Financial Statements

Year Ended 31 December 2022

Company Number 10205021

Directors	I D Cockerill	(Non-Executive Chairman - appointed 6 April 2022)
	J B E Wrathall	(Chief Executive Officer)
	V B Gokool	(Chief Financial Officer - appointed 5 April 2022)
	J Blas	(Non-Executive Director - appointed 8 April 2022)
	S Gardner-Bond	(Non-Executive Director)
	K S Liddell	(Non-Executive Director)
	D Linfield	(Non-Executive Director)
	L E Wrathall	(resigned 25 March 2022)

Company secretary

Q Hussain

Registered number

10205021

Registered office

Tremough Innovation Centre
Penryn
Cornwall
TR10 9TA

Independent auditor

PKF Francis Clark
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TR1 2NA

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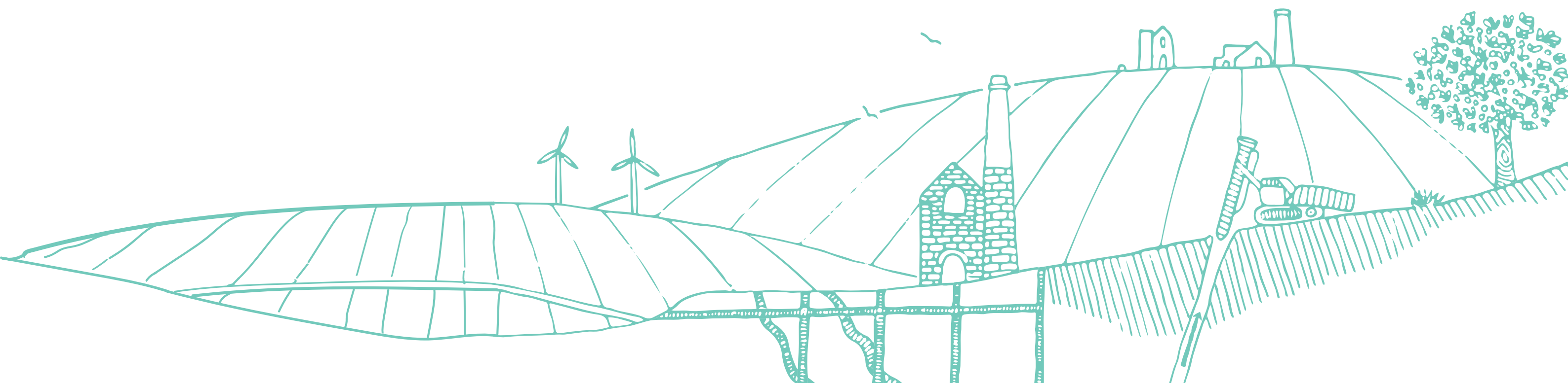


CHAIRMAN'S STATEMENT

I am delighted to provide my second statement as Chairman of Cornish Lithium. Our company continues to make tremendous progress both in relation to its Trelavour hard rock project and its geothermal lithium projects. A number of significant milestones and developmental breakthroughs have been made in the past 18 months, which are discussed in more detail in the CEO's statement. These exciting developments will be key as we tread the path to commercial production.

Cornish Lithium is focused on developing a secure and responsible domestic supply of lithium to support the development of a battery industry in the UK for the UK's automotive sector, creating economic value for the Cornish economy and long-term careers in the County. Sadly, the recent failure of BritishVolt is symptomatic of the lack of investment in developing the UK's battery industry. This challenge has been made even more difficult against the backdrop of the US$369 billion of subsidies being offered through America's Inflation Reduction Act with the EU launching its own subsidies programme following the publication of its Critical Minerals Act, as evidenced by the recently announced €837 million Spanish programme of subsidies approved by the EU. Direct intervention measures by governments such as those from the US and various European countries demonstrates the urgency of creating the necessary battery supply chains.

The UK is currently being left behind in this global race to secure the industries that will drive the energy transition to renewable power and the electrification of transport. The automotive sector and related industries are a key component of the UK's GDP and the damage that a diminished or, worse still, a disappearing UK motor sector will cause the UK economy is potentially enormous. To support domestic automotive production, countries around the world are increasingly seeking to reverse the trend of globalisation making it more important than ever to develop local sourcing of commodities to give greater certainty to supply chains. As such, supporting initiatives such as Cornish Lithium is critically important in underpinning the automotive industry and in stimulating high grade technical employment in related industries. Whilst we are grateful for the financial support we have received to date from the government, more support is needed to counteract the effect of the US and EU subsidies that are being offered to help attract the investment required in the UK. A sustainable domestic lithium supply for the UK is an essential part of the transition to renewable energy and to the future of the British automotive industry as it transitions to manufacturing electric vehicles. The imperative to avert climate change via the move to renewable energy and electric vehicles has been described as "the global megatrend of our time"[1] and the urgency to secure lithium supplies saw lithium prices rise significantly since the start of 2021.

The lack of an industrial strategy has left the UK at a significant disadvantage in the race to build electric vehicles and power storage batteries. The publication of the UK's Critical Minerals Strategy, which was updated in March 2023 goes some way towards recognising the problem facing UK industry but more needs to be done. Cornish Lithium has now proved that the opportunity to build a lithium industry in

[1] Simon Moores - Benchmark Mineral Intelligence

Cornwall exists and that such an industry could be of national importance. Whilst we can supply end users in the EU from Cornwall, it would be a significant missed opportunity for the UK if we cannot obtain the full benefit from the raw materials that lie beneath our feet through the development of a domestic battery industry and we at Cornish Lithium are determined to play our role in supporting that supply chain.

Sustainability

Developing a responsible source of lithium, produced by utilising the most environmentally sustainable technologies is a cornerstone of Cornish Lithium's strategy. The successful development of our projects will generate significant benefits for the communities in which we operate, Cornwall and the UK. Cornish Lithium will shortly be publishing it's second sustainability report, which will build on the foundations laid by last year's report. Our key priorities for 2023 are:

- Continue the development of an all-encompassing ESG strategy;
- Further data capture and assessment to enhance performance tracking and enable external reporting of key ESG metrics;
- Continue successful integration of ESG considerations into project development, including initiation of an environmental and social impact assessment at the Trelavour project and developing a planning and permitting strategy for our lithium in geothermal waters projects;
- Develop and implement an appropriate company-wide Environmental & Social Management System;
- Update the Procurement Policy to promote transparency and accountability in our supply chain, outline expectations for suppliers and establish metrics for tracking progress;
- Assessment of climate-related risks and emissions in order to develop a climate strategy roadmap and associated future reporting in line with TCFD recommendations; and
- Consider internationally accepted sustainability reporting standards and frameworks for adoption.

We now have an experienced ESG team who have managed an increased level of community engagement as our operational activities on both the geothermal and hard rock projects have expanded. We have hosted a number of community engagement events in the communities around our latest geothermal projects at Twelveheads and Blackwater as well as events around our Trelavour project. These events have generated a strong level of engagement with the community and has enabled the team to address any questions that the attendees have had. In addition to the dedicated engagement events, our outreach team have continued to attend a number of events in the local community to improve awareness about our activities.

In 2022 the Company established the Cornish Lithium Community Fund in collaboration with the Cornwall Community Foundation (the "Fund"). The Fund aims to support groups that will enhance skills and education, upgrade social welfare facilities, support industrial heritage and mining history, and improve environmental impacts or promote health and wellbeing in the Gwennap, Chacewater, St Day, Carharrack and China Clay areas. In addition to establishing the Fund, Cornish Lithium also continued its work with a number of local charities that align with our sustainability strategy, including the Cornwall Wildlife Trust, the Cornwall Heritage Trust and the Cornish Seal Sanctuary.

The first round of awards made by the Fund was announced in April 2023 with the following organisations being supported:

- Imerys Bowling Club
- Lanner Village Hall
- St Dennis Ukulele Club
- Choose Nature CIC in Wheal Martyn
- St Dennis Art Group
- Sunny Days Nursery and Preschool in St Day
- ClayTAWC in St Dennis.

The Sustainability Report will be available shortly to be downloaded from our website and I encourage shareholders to read the report to understand how we are engaging with our local communities and environmental and sustainability goals we are setting for the Company.

Corporate Governance

Cornish Lithium was delighted to strengthen its board of directors in 2022 with the appointment of three new members during the year. I was appointed as Independent Chair, Janet Blas was appointed as an Independent Non-Executive Director and Varshan Gokool, our CFO, joined the board as an Executive Director.

The Company also converted from a private to a public limited company in 2022 as part of its preparation for a future IPO.

In addition, at the end of 2022, the Company formally constituted an advisory board. The advisory board comprises:

- Kate Wild – Kate is the founder of Wild Card - a PR and communications consultancy with offices in Truro, Bristol and London. Kate was born and brought up in Cornwall and became a Deputy Lieutenant of Cornwall in 2017. Kate is also a former High Sheriff of Cornwall;
- Kate Harcourt - Kate is a sustainability professional with over 30 years of experience and the Company's ESG Officer. Kate is an experienced mining company executive and director; and
- Alverne Bolitho – Alverne is an experienced financial professional with a background in both Sales & Marketing and Investment & Asset Management. Alverne is Managing Director of the London office of New England Asset Management Ltd, which is owned by Berkshire Hathaway. Alverne's family roots are firmly in Cornwall and the family has strong associations with mining.

The Advisory Board will work with the board of directors and provide market insight and specific knowledge and insight on key topics. It will also provide intelligence to support business planning and alignment to the Company's strategic goals as well as acting as regional ambassadors for the Company. I look forward to working with my colleagues on the Advisory Board and I believe that their insight will prove invaluable as we develop the Company and its projects.

Annual General Meeting

The Cornish Lithium Annual General Meeting ("AGM") will be held in the Sennen Suite at the Tremough Innovation Centre, Penryn, Cornwall TR10 9TA on 30 June 2023 at 10:00am. We will be delighted to see you there and members of the team will be available after the AGM to meet with shareholders and answer any questions you may have.

In addition to voting to receive and consider the financial statements for the year ended 31 December 2022, following the Company re-registering as a Plc, the Company has put forward all of the Directors for re-election in accordance with the Company's Articles of Association.

Outlook

Cornish Lithium has made, and continues to make, significant progress with the development of a secure domestic supply of lithium for UK industry. We believe that a secure supply of lithium and other critical minerals forms the backbone of any economy as we decarbonise and move forward into the age of renewable energy. Russia's illegal invasion of Ukraine has highlighted the importance of dependable supply chains. Maintaining a secure supply of the metals and minerals that enable renewable energy is now of paramount importance worldwide.

Economic uncertainty caused by the inflationary pressures of higher energy and food prices continues to cause significant volatility in both financial and commodity markets as well as creating operational and cost challenges. The Company is in the process of finalising term sheets to secure additional equity funding of £10m from a group of existing shareholders. These funds will allow the Group to execute its business plan over the short term. Despite the challenging macro environment, active discussions continue with a number of parties with a view to securing the additional funding required to progress its projects to construction decisions. Whilst lithium prices have retreated from their all-time highs, the unprecedented shift in the quantity of lithium and other critical minerals required caused by the move towards electric vehicles and the energy transition bodes well for the Company's prospects and I look to the future with confidence as we deliver further value for all stakeholders.

Finally, I would like to thank our management employees, local stakeholders in Cornwall and my board colleagues for their continued efforts and commitment to realising the significant potential of the Company for the benefit of all stakeholders including Cornwall and the UK.

Ian Cockerill
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

2022 saw Cornish Lithium continue to make significant progress at its Trelavour hard rock project near St Austell and with its exploration activities for lithium in geothermal waters near Redruth. This momentum has carried forward into 2023. Despite difficult conditions in global capital markets, Cornish Lithium continues to work towards raising additional funds during 2023 in order to maintain the pace of development across our portfolio of projects and to ensure the Company is well funded through to the construction decision on our Trelavour project.

Trelavour project scoping study published and demonstration plant to be built

June 2022 saw the completion of the scoping study for Cornish Lithium's Trelavour hard rock lithium project near St Austell. The study produced robust economic results including an average forecast production of 7,800 tonnes of lithium hydroxide per annum. Utilising a lithium hydroxide price of US$20,000/t of lithium hydroxide the scoping study produced the following robust economic results:

- 20-year mine life with average production of 7,800 tpa of lithium hydroxide
- Post-tax NPV (8%) of US$318.6 million and IRR of 24.4%
- Initial estimated capital expenditure of US$243.8 million
- Payback within 3.8 years from first production

Whilst the scoping study includes the capital expenditure to produce a number of by-products such as caesium and rubidium, the current results do not include the additional revenue from such by-products. Test work is currently being completed that will allow their additional value to the project to be estimated. The robust scoping study results have given Cornish Lithium the confidence to start work on the project's feasibility study which will commence in H2 2023.

Following an independent review of the Trelavour scoping study, TechMet - Cornish Lithium's major institutional shareholder - exercised its second tranche option to invest a further £9 million in June 2022 and thus increase its shareholding in the Company. This formed the second tranche of an overall £18 million funding package provided by TechMet.

In November 2022, leases were signed with the Tregothnan Estate for the Trelavour pit and for the TreLith processing site to firmly establish these important development sites for Cornish Lithium. This historic agreement forms part of the Tregothnan Estate's own long history of mining in an area that has proven to host significant mineral deposits.

An additional drilling programme at Trelavour has now commenced, which is expected to further expand the Trelavour mineral resource and to allow conversion from an inferred resource to a measured and indicated classification under the JORC Code, the results of which are expected before the end of 2023. Environmental surveys and studies have also commenced to support the feasibility study, which is intended for completion in mid-2024. Contractors have been appointed for construction of the Trelavour demonstration plant, including Lancashire based Ai Process Systems.

The Trelavour demonstration plant has been partly funded through a £1.8 million grant from Innovate UK through the Automotive Transformative Fund (ATF). This forms part of the Scale-up Readiness Validation (SuRV) government funding competition secured in September for the hydrometallurgical section of the demonstration plant. Initial components for the demonstration plant have begun to arrive at site and completion of the plant is expected in early 2024.

The demonstration plant is expected to produce commercial samples of lithium hydroxide for evaluation by prospective end-users, such as battery producers and automotive part producers, known as original equipment manufacturers (OEMs). In addition, it will produce samples of the associated by-products we expect to produce at Trelavour, which will enable us to ascertain market prices for such products and potentially to include forecast revenues from them in the feasibility study model.

Extraction pilot plant commissioned and strong results from new geothermal site

Cornish Lithium has also achieved significant milestones in its programme to extract lithium and heat from geothermal waters deep beneath the surface of Cornwall.

A direct lithium extraction (DLE) pilot plant was successfully built and commissioned in March 2022 at Cornish Lithium's United Downs geothermal testing facility. This pilot plant is the first facility in the UK that enables the testing of DLE technologies and is part of the Company's quest to create a low-carbon, energy-efficient lithium extraction industry in Cornwall. The Company plans to test additional DLE technologies using this plant, along with reverse osmosis and other concentration technologies to work towards a final process flow sheet.

The DLE pilot plant was supported by the Cornwall and Isles of Scilly Local Enterprise Partnership (LEP) with £2.9 million from the UK Government's Getting Building Fund. The DLE pilot plant was commissioned through Cornish Lithium's engineering subsidiary Geocubed Limited ("Geocubed"), which became a wholly owned subsidiary in 2022 following the acquisition of Geothermal Engineering Limited's minority interest in April 2022.

A new geothermal lithium and heat site was drilled at Twelveheads near St Day. Following encouraging testing of the geological structures encountered in the borehole, Cornish Lithium decided to deepen the research borehole to our expected commercial borehole depth of c.2,000m. Drilling and testing operations were successfully completed in spring 2023 and yielded very encouraging results.

Following the successful drilling and testing campaign at Twelveheads the Company has now commenced an additional test hole for lithium and geothermal energy at Blackwater and we expect to complete and test this borehole by the end of October 2023.

ESG initiatives implemented

As part of its ongoing dedication to maintaining the highest levels of environmental, social and governance (ESG) standards, Cornish Lithium has continued its outreach programme within Cornwall and will continue to expand its communications efforts throughout 2023. The Company continues to work with schools and communities to showcase the potential for highly skilled careers that could be generated by the mineral extraction sector, along with providing updates on its projects. The Company launched several charity initiatives and supporting sponsorships, including work with the Cornwall Heritage Trust, Cornish Seal Sanctuary and its own Community Fund, in conjunction with the Cornwall Community Foundation in order to support the work of groups who seek to make a positive difference in its project areas.

In September the Company was proud to publish its inaugural sustainability report. The company's first sustainability report provided stakeholders with clear insights into the Company's ongoing dedication to environmental, social and governance programmes, as well as its performance to date.

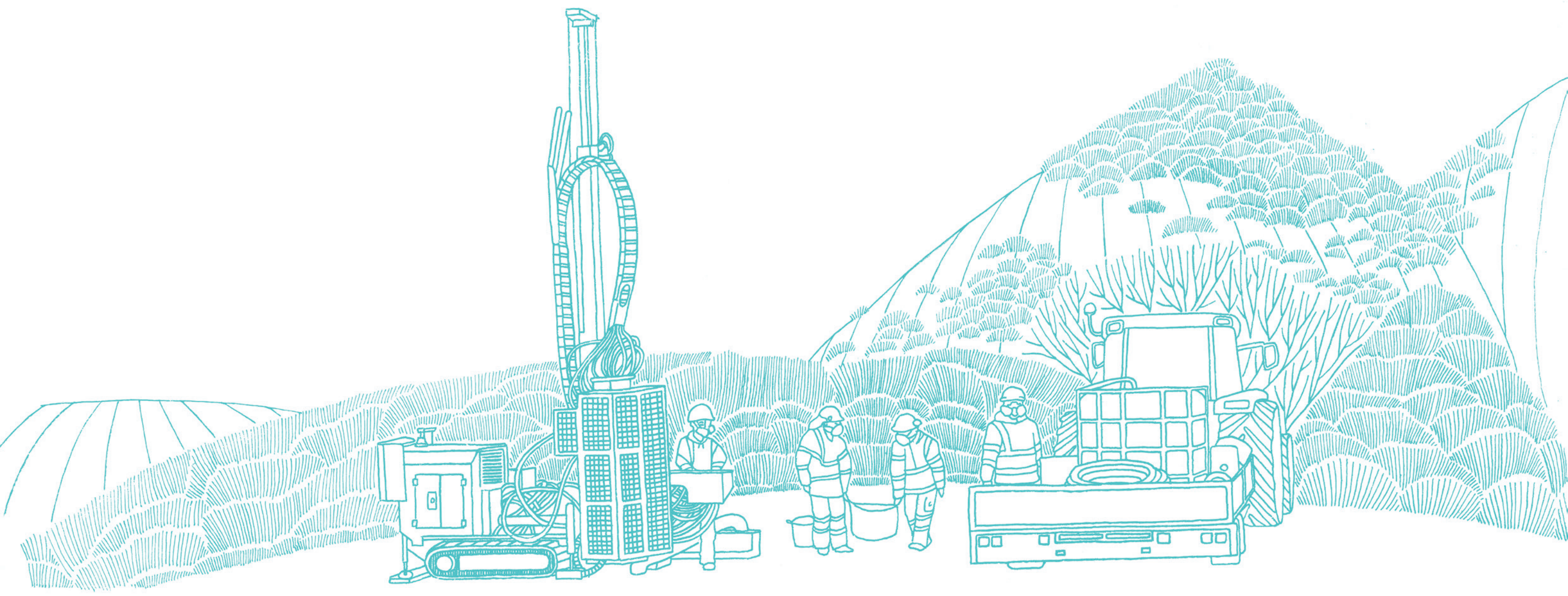
We will shortly publish our second sustainability report, copies of which will be available on our website. This report will build upon the inaugural report and has set out several key targets your Company is working towards as it develops its exciting portfolio of projects.

Path to production

As outlined by our Chairman on page 5, the key focus for our management team has been securing the financing required to progress our exciting portfolio of projects and to bring them into commercial production as soon as possible. Significant progress has been made to date despite the challenging funding environment and I hope to be able to provide an update to shareholders shortly in relation to this. For further details of the situation as at the date of signing this report, please refer to the "Funding" section on page 17 of this report and the "Going Concern" section of the Directors' Report on page 19.

I am delighted with the progress that Cornish Lithium has made over the past 18 months, which demonstrates the capabilities, and hard work of our team and partners and friends in Cornwall. I would like to thank them all for their efforts as we continue to work towards a number of significant project milestones on our path to commercial production. I am excited for what the future holds as we build value for all our stakeholders through the development of a responsible source of lithium for the UK.

Jeremy Wrathall
Founder and CEO



BOARD OF DIRECTORS

IAN COCKERILL
Independent Chairman

Ian has more than 45 years' experience in the global natural resources industry. He has extensive operational, project and leadership expertise, having held executive roles at major international mining companies, including Chief Executive Officer of Gold Fields and Anglo Coal, a subsidiary of Anglo American, and other Non-Executive positions.

Ian is currently a Non-Executive Director of BHP Group and is Senior Independent Director at Endeavour Mining. He also serves on the board of private company I-Pulse Inc; and Ian is a founding board member of an African wildlife charity called The Leadership for Conservation in Africa. He has previously held the positions of Chair of BlackRock World Mining Trust and Non-Executive Chair of Polymetal International.

Ian holds a BSc(Hons) degree in Geology from the University of London, an MSc in Mineral Production Management from the Royal School of Mines at Imperial College and participated in the Advanced Management Programme at Templeton College, Oxford.

JEREMY WRATHALL
Founder & CEO

Jeremy has over 30 years of experience in the mining finance industry and has advised mining companies on transactions globally.

Following his graduation in Mining Engineering from the Camborne School of Mines in Cornwall, he spent three years working as a mining engineer in the South African gold mining industry. Jeremy then pursued a career in mining investment banking in London which included senior roles at global investment banks, including his most recent role as Global Head of Natural Resources – London at Investec Bank plc.

He has advised on transactions on all of the world's major mining exchanges and has served as a non-executive director of mining companies listed on AIM and on the ASX stock exchanges. Jeremy is a Fellow of the Institute of Materials, Minerals and Mining.

Having founded Cornish Lithium in 2016, Jeremy decided to fully focus on the company and left his career in investment banking in March 2017.

VARSHAN GOKOOL
Chief Financial Officer

Varshan has over 20 years of experience in guiding TSX and AIM listed mining companies from project definition through to development and construction across a number of international jurisdictions.

Following his graduation from the University of Cape Town, South Africa, he has worked on both the investment banking and corporate sides of the mining industry during which time he has arranged and led over US$ 1.5 billion of funding transactions across the entire capital structure from equity to senior secured project finance debt for mining projects. He was most recently President and CEO of Euromax Resources Limited where he led the development of the Ilovica-Shtuka Copper Gold Project in North Macedonia from inferred resource to definitive feasibility study. Prior to Euromax, he led and implemented the financing strategy of European Goldfields Limited which owned, developed and operated copper, gold, lead and zinc mines in Greece and Romania. Varshan is a Charterholder of the Charted Financial Analyst Institute.

JANET BLAS
Independent Non-Executive Director

Janet is currently Chief Financial Officer of Bacanora Lithium, which was acquired by Ganfeng Lithium in December 2021 for approximately £275 million. Janet is a certified public accountant who has held a number of senior financial roles including Group Chief Financial Officer and Executive Director of Gemfields, where she played a key role in the formulation and implementation of group strategy. In addition, Janet managed Gemfields' preparations for a London Stock Exchange Main Market listing.

Prior to Gemfields, Janet held a number of senior finance positions with ENRC (August 2007 – July 2013), including a key role on ENRC's IPO on the Main Market of the London Stock Exchange with the company joining the FTSE 100 index. Previously, Janet was part of the Audit and Assurance Services team at Ernst & Young in London and PWC in the Philippines (2002 – 2007).

SIMON GARDNER-BOND
Non-Executive Director

Simon is TechMet's Chief Technical Officer and has had a 20-year career as a geologist, metals & mining analyst, and equity investor. Prior to joining TechMet Simon has undertaken both buy side and sell side roles for firms including Investec Asset Management, Peel Hunt and Ocean Equities. He has an M.Sc. in Mineral Deposit Appraisal (Mineral Exploration) from the Royal School of Mines together with a B.Sc. (Hon.) in Geology and Physical Geography from the University of Liverpool.

KEITH LIDDELL
Non-Executive Director

Keith is an experienced metallurgical engineer and resource company director. Working exclusively in the minerals industry since 1981 he has experience in management and ownership of a number of public and private businesses and joint ventures with a variety of participants. He has financed and brought into production mines in Africa, Australia and China. Through Lifezone Ltd, Keith is primarily focused on developing and marketing the Kell Process, which he conceived and patented. He has a number of international patents in his name and is the author of more than 20 technical and industry review papers.

Keith has also been involved in exploration for gold, platinum group metals and nickel in China and Australia, the development of an open pit, heap leach copper SX-EW mine in Australia, and exploration and production of fluorite in South Africa and Australia. He is chair of Colomi Singapore Ltd and a director of Lifezone Ltd and its licensee companies KellTech Ltd and Kelltechnology South Africa Pty Ltd.

DEREK LINFIELD
Non-Executive Director

Derek is a legal consultant and serves as non-executive director on several boards. He practised as a Canadian lawyer in London for 20 years, where he focused on cross-border financings and mergers & acquisitions in the mining, oil and gas sectors, including taking companies to the London Stock Exchange.

Prior to his retirement in 2015, Derek had been Managing Partner of the London office of Canadian law firm Stikeman Elliott LLP for ten years. Derek holds degrees from Memorial University of Newfoundland as well as LLB and MBA degrees from McGill University.

He is currently the Chairman of AIM listed Mkango Resources as well a non-executive director of a number of private companies and not for profit organisations. He is a director of MUN UK (UK campus of Memorial University of Newfoundland), a trustee of the Harlow Scholarship Trust and adviser to the board of the Canada UK Chamber of Commerce.

BUSINESS MODEL AND STRATEGY

Cornish Lithium Plc (the "Company") and its subsidiaries ("Cornish Lithium", the "Group") aims to establish a strong, sustainable and environmentally responsible extraction industry in the UK for those minerals that can contribute to the global goal of decarbonisation through clean growth and a transition to a green economy.

To deliver this purpose, Cornish Lithium's strategy centres around four main pillars:

Project Identification and Development

Cornish Lithium takes a data driven approach to mineral exploration. Our team acquires, efficiently processes and digitally models data from historic mining archives and modern sources: aerial surveys, satellite imagery, drone data and geological mapping and sampling by our geologists. We are continually expanding our existing data set and building a detailed 3D digital model of the geology, mineralisation and structures of South West England.

Our Intellectual Property lies in these detailed digital models, and our team's interpretations of these. This enables us to efficiently delineate field and drill targets for testing and develop projects in a responsible manner.

Innovation and Collaboration

Cornish Lithium uses innovative techniques and digital technology to explore for, discover and ultimately extract lithium and other battery metals.

Close partnerships with industry and academia enable us to stay at the forefront of advances in mineral exploration, extraction and development processes and technologies. We have a close working relationship with local universities: Camborne School of Mines (University of Exeter) and the University of Plymouth, as well as other research collaborations nationally. In parallel, industry partnerships in areas such as mineral extraction technologies are allowing us to expedite our project development. We are partners on a range of grant-funded research projects, which enable us to formally collaborate with industry and academia to develop the battery supply chain in the UK and Europe.

Our agreements with mineral rights holders across Cornwall provide us with first mover advantage in the County, and also grant us access to important private mining archive material that helps us to deliver our exploration programme.

Cornish mining has been designated a 'High Potential Opportunity' by the Department for International Trade, and we receive strong support from both local and national government.

Clean and Sustainable Growth

As vital components of batteries used for electric vehicles and energy storage, the potential opportunity to extract metals such as lithium, tin and cobalt in Cornwall could represent a significant strategic advantage for the United Kingdom.

These critical metals must be extracted responsibly to ensure the sustainability of our local environment and we believe in investigating innovative techniques to assist in this goal. One such example is the opportunity to co-produce low carbon lithium and renewable heat energy from geothermal waters.

We aim to incorporate circular economy and systems thinking within our business model to maximise the sustainability of our activities and surroundings for the benefit of our stakeholders. As an example of this approach, we are continuously looking at ways of minimising and/or reusing waste.

People and Place

Cornish Lithium is proud to be Cornish and British, and always aspires to act with integrity and transparency. We wish to build a sustainable and responsible extraction industry in Cornwall, for the benefit of the County and wider UK. Our relationship with the local Cornish community is very important to us, and we have an active outreach programme to keep people informed of our progress, and to encourage engagement.

Our business is centred on people: our staff and our community are very important to us, and we strive to look after both responsibly. We recognise that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of its people – so we are committed to supporting and developing them.

PRINCIPAL RISKS AND UNCERTAINTIES

Business risks

1. Ongoing Funding Requirements

To accomplish the proposed exploration and development plans towards a bankable feasibility study for our Trelavour hard rock project, as well as the project's construction in the long run along with the commercial development of our geothermal projects, additional funding will be necessary. At the time of signing this report the Group is in the process of securing further funding from a group of existing shareholders in order to allow the business to fulfill its development objectives over the next 12 months. In addition, the Group is in advanced negotiations with potential new investors as part of a wider refinancing, the aim of which is to provide medium to long term funding for the Group's projects. Despite having obtained equity financing in the past, the Group cannot guarantee that it will secure sufficient financing in the future or that such financing will be favorable to the Group and its shareholders.

Mitigation

The Group maintains its engagement with existing and potential investors to provide long-term support for its projects. As the Group progresses, it will also strive to secure additional funding sources that complement its efforts, such as debt financing, offtake investment, royalties, grants, or governmental funding.

2. Technological uncertainties

The Group intends to use innovative technology in its hard rock and geothermal projects. This technology has yet to be used in large-scale mineral production. There is the risk that this technology will not work as intended or will be unable to produce a suitable grade of end product.

Mitigation

The Group's lithium extraction processes for both the hard rock and geothermal projects continue to go through a rigorous process of refinement and enhancement. During 2022, commercial samples of lithium hydroxide were produced from concentrated Trelavour ore at Strategic Metallurgy's pilot plant in Perth, Australia. Lithium hydroxide has also been successfully produced at a lab scale from geothermal waters.

In 2023, the Group will begin a feasibility study on its hard rock project at Trelavour, with the construction of demonstration plant expected to be completed that year and commissioned in early 2024, which will be used to produce further commercial samples of lithium hydroxide for potential off-take partners. A similar approach will be undertaken for our geothermal projects where the pilot plant at United Downs will be utilised to test various direct lithium extraction technologies alongside other processing technologies such as reverse osmosis.

3. Lithium prices fall to an extent that impacts the commercial viability of the Group's projects

During 2022, the price of lithium hydroxide reached $80,000 per tonne. This price has fallen back significantly in 2023 and, whilst it has subsequently recovered, could fall further as more supply lines come on stream, or if global demand weakens.

Mitigation

Management maintains a cautious outlook on commodity prices and has assumed a lithium hydroxide price of $20,000 per tonne in the scoping study for its Trelavour project.

4. Change in battery technology

It is not certain that lithium-ion batteries will continue to be the leading technology in the battery market, including electric vehicles. Other technologies such as solid-state batteries, hydrogen fuel cells, and others have been advancing and may potentially replace or reduce the demand for lithium, as long as enough resources are devoted to bringing them to the market.

Mitigation

Management is confident that lithium will remain the favoured technology for battery and car manufacturers for the foreseeable future with many of the other battery chemistries listed above yet to be produced at a commercial scale. With the UK committing to ambitious carbon emission targets, including the banning of sales of new diesel and petrol-powered vehicles by 2030, management believes it is unlikely that alternative technologies will be suitably advanced to make lithium battery alternatives commercially viable in time to meet the government's target.

5. Legal title and mineral rights

In the UK, legal title to minerals (other than gold, silver, coal and petroleum and its hydrocarbons and natural gas) is not held by the state but was, historically, held by certain landholders who, subject to such rights having not been validly transferred to a third party, have the theoretical right to exploit any mineral on their property to the centre of the earth ("Mineral Rights").

It has become common however, for some landholders to split the ownership of Mineral Rights from the ownership of the surface land area, with many landholders reserving Mineral Rights in, on or under their land when the surface has been sold. Often this results in the Mineral Rights being bought and sold separately from the surface at a later date.

Ownership of Mineral Rights is capable of being registered at the Land Registry, but it is not currently legally necessary for Mineral Rights to be registered at the Land Registry to evidence legal title to the same. As a result, establishing the ownership of Mineral Rights in Cornwall is complex. Where Mineral Rights are registered at the Land Registry, the applicant for registration may be unable to show a complete history of the devolution of the Mineral Rights and any prior dealing with them so that registration is only effective subject to any prior interests which may exist at the date of entry on the register.

Even if Mineral Rights are registered with a good, as opposed to a qualified title, the identity of all the minerals comprised in the Mineral Rights may be unclear. Identifying the minerals that are the subject of the Mineral Rights may require construing and interpreting historic deeds and documents of grant or reservation, the meaning of which may be uncertain.

With respect to lithium in geothermal waters, the Company would expect to extract water from aquifers and reservoirs in the granite underlying Cornwall. It is not possible at this time (and may never be possible, even with geophysical information from exploration) to precisely identify the geographic area of the geological formations hosting the geothermal water.

There can be no assurance that the title of the Mineral Rights Holder granting a licence to the Company to exploit the minerals in an area will not be challenged as being insufficient to cover the area from which geothermal water is being extracted or whether in fact the Mineral Rights Holder, as opposed to the surface holder or any other party entitled to extract the water, has title to minerals dissolved in brines. These issues do not exist with the offshore rights acquired from the Crown Estates.

Mitigation

The Group has entered into a series of option agreements ("Option Agreements") and exclusivity agreements ("Exclusivity Agreements") with holders of certain areas of Mineral Rights, without analysing the individual title to each parcel of land held by the owner of the Mineral Rights ("Mineral Rights Holder"). For the reasons set out above, the position of any Mineral Rights Holder is inherently uncertain. While the Company will undertake a review of the legal title pertaining to the applicable Mining Rights before developing any project, there can be no assurance that the Mineral Rights in respect of any particular area will not be challenged.

With respect to the Trelavour hard rock lithium project, the mineral rights are owned by Rt Hon. Evelyn Boscowen, 10th Viscount Falmouth, of the Tregothnan Estate ("Tregothnan"). The Group has a right to the Tregothnan Mineral Rights pursuant to a long-term mining and exploration lease for the area owned by Tregothnan known as the Trelavour Downs Mine and Parkandillick.

Operational risks

6. Licensing and permitting

To construct, develop, and operate its commercial operations, the Group will be required to secure additional environmental and technical permits. However, there is a potential risk that these permits, concessions, and licenses may not be granted. Furthermore, the approval and consent process may be prolonged, or granted with specific conditions that the Group may find challenging or unfeasible to fulfill.

Mitigation

The Group engages with a prominent law firm and industry consultants to provide it with appropriate advice with regards to planning and permitting for its projects from the initial project design stage, not just at the time of submitting the planning application(s).

7. Personnel retention and recruitment

The Group's ability to reach the production phase is dependent on its ability to recruit and retain highly-qualified management, geological, technical and industry experienced personnel in Cornwall, UK.

Mitigation

Cornwall has a rich mining heritage, with several new and established mining businesses operating in the county. It is also home to the Cambourne School of Mines. These factors mean there is wealth of expertise and talent in the local area. Cornish Lithium aims to recruit locally wherever possible and offers competitive remuneration packages. It aims to create long-term and rewarding jobs in the areas in which it operates.

The Group also attends secondary schools and careers fairs as well as providing work experience placements and internships in order to demonstrate that Cornish Lithium and the mining industry in general can provide a reward long-term career.

At a management level, in FY22 the Group significantly strengthened its Board of Directors with the addition of two new independent directors, both with significant experience in the mining sector and has made several key appointments at senior management level.

8. Health and safety risk

Due to the utilisation of heavy machinery, mine sites (including drill sites) are inherently hazardous work environments. The incorrect handling of heavy machinery or the disregard of health and safety procedures, such as not wearing proper Personal Protective Equipment ("PPE"), can result in severe injuries or fatalities.

Mitigation

Safety is our first priority, and we are committed to promoting and maintaining a strong safety culture for all employees and contractors. We implement applicable UK health and safety standards rigorously, supported by our Health and Safety Management system which is developed in line with ISO45001 and international best practice.

We have recently hired a dedicated and experienced Health and Safety Manager who is a chartered member of the Institute of Occupational Safety and Health and is charged with driving improvements in our health and safety ("H&S") procedures to strengthen health and safety performance throughout the company. In the first year this will include determining the current baseline and identifying key H&S metrics and objectives to inform the further development of the management system and company performance towards specific targets and continual improvement.

H&S training is provided for all employees and business partners comprising both internal training relevant to their role within the business and external courses including IOSH Managing Safely to provide a broader understanding of the role of effective health and safety management.

All staff receive risk assessment training to enable everyone to contribute to the identification and management of hazards within the workplace. All hazardous activities are risk assessed, with higher risk activities subjected to more detailed risk assessment using either Hazard and Operability ("HAZOP"), Layers of Protection Analysis ("LOPA") or Bowtie risk assessment techniques. Risk assessments are regularly reviewed to ensure that they remain relevant to the business activities and in line with best practice. Identified controls are implemented and checked at site level with regular inspections and verification programs to identify failures in the controls.

Health and Safety risk management is also aligned within the wider corporate risk management approach, which ensures that the Executive Committee has visibility of the key risks that require attention across the business, and this forms a key part of monthly management reporting.

Communication and governance of health and safety issues is managed through a series of Health and Safety Committees at site level that feed into a Group Health and Safety Committee which reports into the Board. The Group Health and Safety Committee is chaired by an Executive Committee member to ensure engagement throughout the Company.

ESG and sustainability risks

9. Local stakeholder acceptance

In order to move forward with its projects, the Group needs to obtain the backing and approval of the stakeholders in the local community. If the Group fails to foster this social license, it could severely hinder the progress of its projects.

Mitigation

Management is committed to meaningful engagement with the local communities in the areas in which it operates. Our relationship with the local Cornish community is very important to us, and we have an active outreach programme to keep people informed of our progress, and to encourage engagement. The Group hosts regular community engagement events to inform residents of planned works and to answer questions.

Over the past year we have taken a number of actions towards our objectives including:

- Significantly strengthened the ESG team both in terms of number and breadth of experience
- Ramped up our outreach activities as our operational activity increases
- Hired a dedicated and experienced health & safety manager
- Sponsorship of and work with local charities in line with our charitable objectives (including the Cornwall
- Heritage Trust, Cornwall Wildlife Trust, Cornwall Community Foundation, the Cornish Seal Sanctuary)
- Hosting school visits and talks in schools and colleges to inspire the next generation
- Significantly grown the Company providing a significant number of jobs in the County
- Providing work experience and internships for students

10. Environmental laws and regulations

The Group's current and future operations in Cornwall will be subject to environmental regulations at both local and national levels. These regulations encompass a range of environmental aspects, such as water discharges, air emissions, waste management, toxic material usage, and environmental cleanup. Environmental laws and regulations are constantly changing, and it is anticipated that the regulations governing the operations will become more rigorous over time.

Mitigation

The Group is committed to complying with environmental regulations and strives to make its hard rock and geothermal projects environmentally sustainable with low carbon emissions and minimal waste generation.

FINANCIAL REVIEW

The Group is in the exploration and development stage of its life cycle and is not expected to generate revenues until 2026. It is therefore not expected to report overall profits until at least 2027. As such, it does not currently have any financial key performance indicators.

During the year ended 31 December 2022, the Group made an operating loss of £6.7m (2021: £2.6m). The primary driver of this increase has been employee costs, which rose as result of the Group's average headcount increasing from 31 to 51 employees as its operations expand and its management team is enhanced. Employee costs which were not capitalised as exploration and evaluation assets amounted to £3.0m (2021: £1.0m). Legal, professional and consultancy expenses of £1.2m (2021: £0.2m) were incurred as the Group sought to secure and expand its portfolio of mineral rights across Cornwall and to prepare the business for a future IPO.

Also included in the operating loss for the year are share-based payment expenses of £0.6m (2021: £0.2m).

The Group's net assets increased to £24.8m (2021: £21.0m), primarily driven by capital investments of £10.7m (2021: £2.9m) in tangible and intangible assets, offset by a £3.9m decrease in cash balances and a £0.8m increase in trade and other payables.

Funding

At the time of signing this report the Group was in the process of securing further funding from a group of existing shareholders. This cash injection will ensure the business can meet its financial commitments after July 2023 and fulfill its development objectives over the next 12 months. At the time of signing this report, the extent and timing of this funding were uncertain, however discussions are progressing well and management are confident that an agreement will be reached in good time to allow the Group to meet its short-term commitments.

In addition, the Group is in advanced negotiations with potential new investors as part of a wider refinancing, the aim of which is to provide medium to long term funding for the Group's projects. Should this further investment not be forthcoming, the Group would be required to implement mitigations to reduce planned spending. Management's assessment of the likely outcomes of these negotiations is detailed in its going concern assessment in the Directors' Report.

Events after the reporting date

On 9 May 2023 the Group completed the disposal of its shareholding in Lepidico Limited for a total consideration of £399,746. This investment was held as a financial asset held at fair value through profit or loss with a carrying value of £677,583 in the Consolidated Statement of Financial Position as at 31 December 2022. The shortfall between the carrying value and the sale proceeds has been recognised in the Statement of Comprehensive Income in 2023.

This report was approved by the board and signed on its behalf.

V B Gokool
Director
5 June 2023

DIRECTORS' REPORT

The directors present their report and the Financial Statements for the year ended 31 December 2022.

Principal activity

The principal activity of the Company in the year under review was that of research activities relating to the identification and extraction of technology metals.

Results and dividends

The loss for the year, after taxation and minority interests, amounted to £6,602,201 (2021 - £1,446,150). The directors do not recommend the payment of a dividend in the current or prior year.

Directors

The directors who served during the year were:

I D Cockerill (appointed 6 April 2022)

J B E Wrathall

V B Gokool (appointed 5 April 2022)

S Gardner-Bond

J Blas (appointed 8 April 2022)

K S Liddell

D Linfield

L E Wrathall (resigned 25 March 2022)

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. The Directors have elected under Company law to prepare the Consolidated Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Financial Statements are required by law and international accounting standards in conformity with the requirements of the Companies Act to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under Company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these Financial Statements, the directors are required to:

- properly select and apply accounting policies;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Going concern

The Financial Statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation 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 finance its test work, development plans and operations including capital expenditure required to construct any of its projects. The Group's projects are still in their early stages 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.

At the date of signing this report, the Group was in the process of finalising term sheets to secure additional equity funding of £10m from a group of existing shareholders. These funds will allow the Group to execute its business plan over the short term. In addition, the Group is in advanced negotiations with various parties as part of a wider financing process.

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, forecast fixed overheads, commitments and existing cash resources which will be used to fund these expenditures.

In addition, management has modelled various scenarios to reflect the possible timings and outcomes of its current financing process. All scenarios included the receipt, by July 2023, of the £10m bridge funding which is currently being finalised. This is because management have sufficient confidence that there will be a positive outcome to these negotiations in the timeframe required and the directors have received assurances from key investors that funding will be made available in the short term whilst further long-term financial investment is sought. The scenario modelling exercise included developing a 'stress-test' scenario which assumed an ongoing delay to the financing process after the receipt of the £10m cash injection. In this scenario, the Group is able to meet its commitments for a period of at least 12 months from the date these accounts were signed. All of the scenarios modelled require the receipt of further funding by July 2023. Without this, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

It is management's firm view that Cornish Lithium is a uniquely attractive prospect for investors. Cornish Lithium has made strong progress in de-risking its hard rock and geothermal projects. This progress combined with its extensive mineral rights portfolio which allows it unrivalled access to Cornwall's abundant mineral wealth and the backdrop of increasing global demand for battery-grade lithium, means that the Board are confident of the business' ability to raise sufficient funds which will allow it to execute its business plan over the short and medium term. The advanced nature of discussions regarding the near-term receipt of funding from existing shareholders is particularly encouraging, as this will enable the Group's short term cash flow requirements to be met.

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

Events after the reporting date

These are detailed in the Strategic Report on page 17

Auditor

The auditor, PKF Francis Clark, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

V B Gokool
Director
5 June 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORNISH LITHIUM PLC

Opinion

We have audited the financial statements of Cornish Lithium Plc for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies, the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity and the notes to the Parent Company financial statements. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.
In our opinion the financial statements:

- give a true and fair view of the state of the group and Parent Company's affairs as at 31 December 2022 and of the loss of the group for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty relating to going concern

We draw attention to Note 2.5 in the financial statements, which indicates that the group has yet to secure the finance required to meet its short term financial obligations. As stated in Note 2.5, these events or conditions, along with other matters as set forth in Note 2.5 indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Chairman's Statement, Chief Executive Officer's Statement, Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Chairman's Statement, Chief Executive Officer's Statement, Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the group and Parent Company and industry, we identified the principal risks of non-compliance with laws and regulations related to acts by the group and Parent Company which were contrary to applicable laws and regulations, including fraud.

We considered those laws and regulations that have a direct impact on the preparation of the financial statements, including, but not limited to the reporting framework (IFRS, FRS 101 and Companies Act 2006) and the relevant tax compliance regulations in the UK. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty, including compliance with the Health and Safety at Work etc Act 1974 and the ongoing monitoring requirements imposed by the UK Environment Agency under the Environment Act 1995. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to fraudulent financial reporting, specifically in relation to over capitalisation of assets, under recording of liabilities or insufficient disclosures in relation to going concern.

Audit procedures performed by the engagement team include, but were not limited to, discussions and inquiries with management of compliance with laws and regulations and review of significant legal costs incurred in the year as well as correspondence with the UK Environment Agency. We also addressed the risk of management override of internal controls, including testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud with a particular reference to the key accounting estimates as set out in Note 3.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the group's and Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group and Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and Parent Company and the group and Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Duncan Leslie
(Senior Statutory Auditor)

For and on behalf of
PKF Francis Clark, Statutory Auditor
5 June 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022** **£**	2021 £
Administrative expenses		**(6,755,169)**	(2,840,198)
Other operating income	4	**102,538**	213,993
LOSS FROM OPERATIONS	5	**(6,652,631)**	(2,626,205)
Interest receivable		**-**	13
Finance expense	9	**(854,407)**	(1,543)
Finance income	10	**53,530**	1,151,168
LOSS BEFORE TAXATION		**(7,453,508)**	(1,476,567)
Taxation	11	**866,928**	33,191
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(6,586,580)**	(1,443,376)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Non-controlling interests		**15,621**	2,774
Owners of the parent Company		**(6,602,201)**	(1,446,150)
		(6,586,580)	(1,443,376)

No other comprehensive income was earned during the year (2021: £Nil)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
NON-CURRENT ASSETS			
Intangible assets	12	**13,411,596**	6,272,476
Property, plant and equipment	13	**2,148,827**	516,002
Other receivables - non-current	14	**-**	271,047
Right of use assets	16	**21,828**	22,232
		15,582,251	7,081,757
CURRENT ASSETS			
Other receivables	14	**2,141,222**	1,816,258
Financial assets	15	**677,583**	1,212,910
Cash and cash equivalents		**8,105,712**	11,965,639
		10,924,517	14,994,807
TOTAL ASSETS		**26,506,768**	22,076,564
CURRENT LIABILITIES			
Lease liabilities - current	16	**(10,203)**	(8,994)
Trade and other payables	17	**(1,681,783)**	(877,455)
		(1,691,986)	(886,449)
NON-CURRENT LIABILITIES			
Lease liabilities	16	**(7,575)**	(7,985)
Deferred tax liability	11	**-**	(218,722)
TOTAL LIABILITIES		**(1,699,561)**	894,434
NET ASSETS		**24,807,207**	20,963,408
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	18	**59,281**	535
Share premium	19	**8,995,500**	25,396,310
Share option reserve	19	**1,189,779**	579,406
Retained earnings/(deficit)	19	**14,562,647**	(5,015,618)
		24,807,207	20,960,633
Non-controlling interests		**-**	2,775
TOTAL EQUITY		**24,807,207**	20,963,408

The Financial Statements were approved and authorised for issue by the Board and were signed on its behalf

V B Gokool

Director

5 June 2023

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium	Share option reserve	Retained earnings/ (deficit)	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
	£	£	£	£	£	£	£
AT 1 JANUARY 2021	408	9,735,516	425,461	(3,569,468)	6,591,917	-	6,591,917
COMPREHENSIVE LOSS FOR THE YEAR							
(Loss)/profit 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 expense	-	-	153,945	-	153,945	-	153,945
Vesting share options	-	-	-	-	-	1	1
AT 31 DECEMBER 2021	**535**	**25,396,310**	**579,406**	**(5,015,618)**	**20,960,633**	**2,775**	**20,963,408**
COMPREHENSIVE LOSS FOR THE YEAR							
Loss for the year	-	-	-	(6,602,201)	(6,602,201)	15,621	(6,586,580)
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 expense	-	-	610,373		610,373	-	610,373
Step acquisition of Geocubed Ltd	-	-	-	16,459	16,459	(18,396)	(1,937)
AT 31 DECEMBER 2022	**59,281**	**8,995,500**	**1,189,779**	**14,562,647**	**24,807,207**	**-**	**24,807,207**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the financial year		**(6,586,580)**	(1,443,376)
ADJUSTMENTS FOR:			
Amortisation of intangible assets	12	**152,962**	152,775
Depreciation of property, plant and equipment	13	**89,663**	58,628
Amortisation of right of use assets	16	**12,137**	4,973
Government grants	4	**(96,388)**	(176,182)
Net finance (income)/expenses		**(53,382)**	1,530
Fair value loss/(gain) on derivative financial assets	9	**852,864**	(1,151,168)
Loss on disposal of investment	15	**101,307**	-
Fair value loss on investment	15	**123,193**	-
Share-based payment expense	21	**610,373**	153,945
Increase in income tax (receivable)/payable		**(648,206)**	398,087
Decrease/(increase) in trade and other receivables		**511,448**	(1,649,291)
Increase in trade and other payables		**1,139,823**	305,699
(Decrease)/increase in deferred tax		**(218,722)**	218,722
Corporation tax (paid)/received		**(375,607)**	274,430
Net exchange differences		**(123,753)**	-
NET CASH USED IN OPERATING ACTIVITIES		**(4,508,868)**	(2,851,228)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		**(9,042,841)**	(2,419,223)
Purchase of plant, property and equipment	13	**(1,722,488)**	(460,657)
Government grants received		**1,881,173**	176,182
Purchase of held for trading investments		**(914,721)**	-
Purchase of fixed asset investments		**-**	(9)
Proceeds from sale of investment		**494,499**	-
Interest received		**53,530**	-
NET CASH USED IN INVESTING ACTIVITIES		**(9,250,848)**	(2,703,707)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares		**9,912,304**	15,660,921
Principal paid on lease liabilities		**(12,036)**	(10,228)
Interest paid on lease liabilities		**(330)**	(634)
Other interest paid		**(148)**	(898)
Dividends paid to non-controlling interests		**-**	(1)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**9,899,790**	15,649,160
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(3,859,926)**	10,094,225
Cash and cash equivalents at beginning of year		**11,965,638**	1,871,413
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**8,105,712**	11,965,638

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

1. General information

Cornish Lithium Plc (the "Company") is a public limited company, limited by shares and incorporated in the United Kingdom and is registered in England & Wales. The Company's ordinary shares are not traded on the stock exchange. The address of the registered office is stated on the Company information page and the nature of the Company's operations and principal activities are that of research and exploration activities relating to the identification and extraction of technology metals.

2. Accounting policies

2.1 Basis of preparation of financial statements

The Group financial statements have been prepared in accordance with International Accounting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS (except as otherwise stated). The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022. These accounting policies were consistently applied for all the periods presented.

The Financial Statements are presented in pounds sterling, which is also the Group's functional currency. Amounts are rounded to the nearest pound, unless otherwise stated.

The preparation of financial statements in compliance with United Kingdom 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 Statements and their effect are disclosed in Note 3.

2.2 Basis of measurement

The Consolidated Financial Statements have been prepared on a historical cost basis, except for certain financial assets measured at fair value through profit or loss, details of which can be found in the relevant accounting policy.

2.3 Basis of consolidation

The Group Consolidated Financial Statements consolidate the Financial Statements of Cornish Lithium Plc and the entities it controls (its subsidiaries) for the periods reported.

For the purposes of preparing these Consolidated Financial Statements, subsidiaries are those entities controlled by the Group. The Group (as investor) controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries, which are prepared for the same reporting period, are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances, income, expenses and unrealised gains and losses resulting from the intra-group transactions are eliminated in full.

On 28th March 2022, the Company acquired an additional 10% interest in Geocubed Limited resulting in Cornish Lithium Plc 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

2. Accounting policies (continued)

2.3 Basis of consolidation (continued)

The following were subsidiary undertakings of the Group during the periods presented in these financial statements:

Name	Registered office	Class of shares	Holding
Geocubed Limited	United Kingdom	Ordinary	100%
Cornish Lithium G5 Limited	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 were dormant as at 31 December 2022.

Subsidiary entity accounts are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) using the FRS 101 Reduced Disclosure Framework.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

2. Accounting policies (continued)

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 Group have been adopted in the annual Financial Statements for the year ended 31 December 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).

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

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).

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

2. Accounting policies (continued)

2.5 Going concern

The Financial Statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation 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 finance its test work, development plans and operations including capital expenditure required to construct any of its projects. The Group's projects are still in their early stages 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.

At the date of signing this report, the Group was in the process of finalising term sheets to secure additional equity funding of £10m from a group of existing shareholders. These funds will allow the Group to execute its business plan over the short term. In addition, the Group is in advanced negotiations with various parties as part of a wider financing process.

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, forecast fixed overheads, commitments and existing cash resources which will be used to fund these expenditures.

In addition, management has modelled various scenarios to reflect the possible timings and outcomes of its current financing process. All scenarios included the receipt, by July 2023, of the £10m bridge funding which is currently being finalised. This is because management have sufficient confidence that there will be a positive outcome to these negotiations in the timeframe required and the directors have received assurances from key investors that funding will be made available in the short term whilst further long-term financial investment is sought. The scenario modelling exercise included developing a 'stress-test' scenario which assumed an ongoing delay to the financing process after the receipt of the £10m cash injection. In this scenario, the Group is able to meet its commitments for a period of at least 12 months from the date these accounts were signed. All of the scenarios modelled require the receipt of further funding by July 2023. Without this, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

It is management's firm view that Cornish Lithium is a uniquely attractive prospect for investors. Cornish Lithium has made strong progress in de-risking its hard rock and geothermal projects. This progress combined with its extensive mineral rights portfolio which allows it unrivalled access to Cornwall's abundant mineral wealth and the backdrop of increasing global demand for battery-grade lithium, means that the Board are confident of the business' ability to raise sufficient funds which will allow it to execute its business plan over the short and medium term. The advanced nature of discussions regarding the near-term receipt of funding from existing shareholders is particularly encouraging, as this will enable the Group's short term cash flow requirements to be met.

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

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 and warrants 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. Charges in relation to warrants which include non-vesting conditions are charged to the statement of comprehensive income only when management deems it probable that the non-vesting conditions will be met. 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.

2.7 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.

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 15 years
Computer software	-	Straight-line basis over 3 years
Exploration and evaluation costs	-	No amortisation is charged in the exploration and evaluation phase

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

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 tangible or intangible assets based on the nature of the expense.

Intangible exploration and evaluation expenditure comprises 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. Intangible 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.

Tangible exploration and evaluation assets are depreciated when they are deemed to be consumed as part of the exploration and evaluation phase of a project. The depreciation charge on these assets is then capitalised as an intangible exploration and evaluation asset.

The Group has concluded four key exploration agreements for defined areas within Cornwall and continues to negotiate further exploration agreements. The four exploration agreements entered into by the Group 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

2. Accounting policies (continued)

2.9 Property, plant and equipment

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 assets	-	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.

Tangible exploration and evaluation assets are only depreciated when they are consumed as part of the exploration and evaluation phase of a project.

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 Post-employment 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.

2.13 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

2. Accounting policies (continued)

2.14 Financial assets

Financial assets within the scope of IFRS 9 are classified as fair value through profit or loss, fair value through other comprehensive income or at amortised cost.

The Group currently holds no financial assets held at fair value through other comprehensive income. The Group determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Amortised cost

This category of financial asset incorporates financial assets where the objective is to hold the asset in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. Assets in this category include other receivables such as refundable deposits paid to suppliers and cash and cash equivalents. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

As the Group is currently pre-revenue, it does not hold financial assets arising principally from the provision of goods and services to customers (e.g. trade receivables).

For other receivables, at each year-end, the Group assesses whether the credit risk on financial assets has increased significantly since initial recognition. If the credit risk on financial assets has not increased significantly since initial recognition, the Group measures the loss allowance for financial assets at an amount equal to the 12-month expected credit losses. If the credit risk on financial assets has increased significantly since initial recognition or for credit impaired financial assets, the Group measures the allowance account for the financial assets at an amount equal to the lifetime expected credit losses.

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.

Fair value through profit or loss

This category comprises in-the-money and out-of-money derivatives which are not designated as hedging instruments and held for trading equity investments. 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. The Group does not 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 finance lease liabilities. 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. Accounting policies (continued)

2.16 Fair value measurement of financial instruments

Certain financial assets included in the Group's Consolidated Financial Statements require measurement at fair value.

The fair value measurement of the Group's financial assets 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.

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

The fair value of the Group's financial assets is determined using Level 2 inputs.

2.17 Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;

(b) The Group obtains substantially all the economic benefits from use of the asset; and

(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from the use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

Land and property leases directly related to exploration and evaluation activities are accounted for under IFRS 6, whereby rental costs are capitalised as intangible exploration and evaluation assets.

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. The Group does not hold any leases in which this rate can not be readily determined.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease, and
- initial direct costs incurred.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

2. Accounting policies (continued)

2.17 Leases (continued)

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.

Leases held by the Group which are within the scope of IFRS 16 all relate to vehicles with typical lease terms of between 2 and 4 years. These leases comprise only fixed payments over the lease terms.

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.

2.18 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of taxable temporary difference associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Accounting policies (continued)

2.18 Taxation (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

2.19 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 other receivables.

During the current and prior year the Group received grant funding from government-backed institutions in relation to various projects. The primary aim of these grants was to accelerate the development of the Group’s lithium extraction processes.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

3. Critical accounting estimates and judgements

The preparation of the Group's financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities at the statement of financial position date, amounts reported for expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these judgements and estimates could create a significant risk of material adjustments to the carrying amounts of assets and liabilities within the next financial period. In the process of applying the Group's accounting policies, management has made the following judgements and estimates, which have the most significant effect on the amounts recognised in the financial statements:

Judgements:

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.

IFRS 6: Exploration for and evaluation of mineral resources, outlines the potential indicators of impairment to 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 31 December 2022, £11.5m of costs have been capitalised as an intangible exploration and evaluation asset and £2.0m of costs have been capitalised as a tangible exploration and evaluation asset. Management has budgeted the costs for further development of these assets however their recoverability is dependent on future funding.

Going concern

The directors exercise judgement when concluding on going concern as the basis of preparation of the financial statements. For further details see note 2.5.

Estimates:

Share-based payments

Estimating the fair value for share-based payment transactions requires 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. These inputs are based on management estimates at the date of grant.

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. The weighted average fair value per share of share options granted during the year was £0.056 (2021: £0.054).

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

4. Other operating income

	2022 £	2021 £
Other operating income	**6,150**	37,811
Income from government grants	**96,388**	176,182
	102,538	213,993

5. Loss from operations

Included in the operating loss for the period are the following:

	2022 £	2021 £
Employee remuneration (excluding directors)	**2,315,812**	717,871
Legal, consulting and other professional fees	**1,192,938**	243,308
Directors' remuneration	**686,163**	276,024
Share-based payment expense	**610,373**	153,945
IT costs	**409,259**	151,402
Amortisation of intangible assets	**152,962**	152,775
Fair value loss on held for sale investment	**123,193**	-
Loss on disposal of investments	**101,307**	-
Depreciation of property, plant and equipment	**89,663**	58,628
Depreciation of right of use assets	**12,137**	4,974
Other costs	**1,061,362**	1,081,271
	6,755,169	2,840,198

6. Employees

	2022 £	2021 £
Wages and salaries	**3,803,350**	971,710
Social security costs	**450,283**	167,544
Cost of defined contribution scheme	**260,164**	46,563
	4,513,797	1,185,817

The average number of employees, including directors, during the year was 51 (2021: 31).

Of the total employee costs incurred during the year, £1,511,823 was capitalised as intangible exploration and evaluation assets.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

7. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	**659,330**	276,024
Group contributions to defined contribution pension schemes	**26,833**	22,857
	686,163	298,881

The directors are considered to be the key management personnel.

The total amount payable to the highest paid director in respect of emoluments was £339,733 (2021:

£166,667). During the year ended 31 December 2022, the highest paid director held 1 million exercisable share options and exercised warrants to purchase 250,000 ordinary shares in the Company at £0.05315 per share (2021: 247,000 ordinary shares at £0.0454 per share).

The value of the group's contributions paid to money purchase pension schemes in respect of the highest paid director amounted to £Nil (2021: £Nil).

8. Auditor's remuneration

Fees payable to the Group's auditor for the audit of the Group's annual Consolidated Financial Statements totalled £30,500 (2021: £22,500).

9. Finance expense

	2022 £	2021 £
Fair value loss on derivative financial asset	**852,864**	-
Bank interest payable	**148**	882
Interest on lease liabilities	**1,395**	634
Other interest payable	**-**	27
	854,407	1,543

10. Finance income

	2022 £	2021 £
Fair value gain on derivative financial asset	**-**	1,151,168
Bank interest	**53,530**	-
	53,530	1,151,168

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

11.Taxation

a). Tax on loss on ordinary activities

	2022 £	2021 £
Current tax: UK corporation tax credit on the loss for the year	**(625,726)**	(251,913)
Adjustment in respect of prior periods	**(22,480)**	-
Total current tax	**(648,206)**	(251,913)
Deferred tax: Origination and reversal of timing differences	**(218,722)**	218,722
Total tax credit for the year	**(866,928)**	(33,191)

b). Factors effecting tax charge for the year

	2022 £	2021 £
Loss on ordinary activities before tax	**(7,453,508)**	(1,476,567)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**(1,416,167)**	(280,548)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**169,142**	81,408
Capital allowances for year in (arrears)/excess of depreciation	**(90,463)**	1,172
Unrelieved tax losses carried forward	**880,930**	273,170
SME enhanced R&D relief	**(269,240)**	(108,393)
Adjustments in respect of prior periods	**(22,480)**	-
Adjustments in respect of disposal of investment	**(11,848)**	-
Tax relief on share options	**(106,802)**	-
Total tax benefit for the year	**(866,928)**	(33,191)

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

11. Taxation (continued)

c). Deferred tax

	2022 £	2021 £
Liabilities		
Disposal of investment	-	218,722
Total deferred tax liabilities recognised in the Statement of Financial Position	-	218,722

Deferred taxation has been calculated using a tax rate of 25% (2021: 19%) following the increase to the main rate of corporation tax effective from 1 April 2023.

In 2022, there were unrecognised deferred tax assets totalling £2,104,125 (2021: £1,035,470) arising in relation to caried forward losses and fixed asset timing differences.

12. Intangible assets

	Patents and licences £	**Exploration and evaluation costs** £	**Computer software** £	**Total** £
Cost				
At 1 January 2021	2,269,939	1,748,584	9,054	4,027,577
Additions	-	2,414,373	4,850	2,419,223
At 31 December 2021	2,269,939	4,162,957	13,904	6,446,800
Additions	-	7,292,082	-	7,292,082
At 31 December 2022	**2,269,939**	**11,455,039**	**13,904**	**13,738,882**
Amortisation				
At 1 January 2021	12,611	-	8,938	21,549
Charge for the year	151,329	-	1,446	152,775
At 31 December 2021	163,940	-	10,384	174,324
Charge for the year	151,329	-	1,633	152,962
At 31 December 2022	**315,269**	**-**	**12,017**	**327,286**
Net book value				
At 31 December 2022	**1,954,670**	**11,455,039**	**1,887**	**13,411,596**
At 31 December 2021	2,105,999	4,162,957	3,520	6,272,476

Patents and licenses comprises a collaboration agreement between the Group and Lepidico Ltd whereby the Group have a licence to use technology owned by Lepidico Ltd to extract minerals.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

13. Property, plant and equipment

	Plant and machinery £	Computer equipment £	Exploration and evaluation assets £	Total £
Cost				
At 1 January 2021	41,863	189,148	-	231,011
Additions	1,868	71,535	387,254	460,657
At 31 December 2021	43,731	260,683	387,254	691,668
Additions	18,425	136,109	1,567,954	1,722,488
At 31 December 2022	**62,156**	**396,792**	**1,955,208**	**2,414,156**
Depreciation				
At 1 January 2021	16,272	100,765	-	117,037
Charge for the year	10,966	47,662	-	58,628
At 31 December 2021	27,238	148,428	-	175,666
Charge for the year	11,879	77,784	-	89,663
At 31 December 2022	**39,117**	**226,212**	**-**	**265,329**
Net book value				
At 31 December 2022	**23,039**	**170,580**	**1,955,208**	**2,148,827**
At 31 December 2021	16,493	112,255	387,254	516,002

14. Other receivables

	2022 £	2021 £
Non-current receivables		
Other receivables - non-current	**-**	271,047
Current receivables		
Other receivables	**792,650**	290,431
Prepayments and accrued income	**722,846**	1,525,827
Tax receivable	**625,726**	
Total current receivables	**2,141,222**	1,816,258
Total receivables	**2,141,222**	2,087,305

Other receivables include VAT receivable of £563,811 (2021: £278,026), returnable deposits held with suppliers of £50,000 (2021: £Nil) and £162,615 receivable from former holders of nil-paid shares.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

15. Financial assets

	2022 **£**	2021 £
Australian listed equity securities measured at fair value through profit or loss	**677,583**	-
Derivative financial asset measured at fair value through profit or loss	**-**	1,212,910
	677,583	1,212,910

Australian listed equity securities consist of shares held in Lepidico Limited ("Lepidico"). The derivative financial asset represents the purchase warrants for 100 million shares in Lepidico at a price per share of AUD$0.016. The purchase warrants were issued on 8th December 2020 in relation to the Lepidico licensing agreement. The expiry date of the warrants was 8th December 2022.

The warrants were valued using the Black Scholes model. The key assumptions used in the initial valuation of the warrants are the annualised volatility which has been taken as 60% and the interest rate applied is based off of a ten-year Government bond from the date of grant at 1.013% as a risk-free rate proxy.

During the year ended 31 December 2022 the Group exercised these warrants to purchase 100 million ordinary shares in Lepidico. This exercise occurred in two tranches. The first tranche of 25 million shares were purchased on 4 April 2022. The Lepidico share price on the date of exercise was AU$0.040. The shares were subsequently sold at a weighted average price of AU$0.0352 generating a loss on disposal of £101,307.

On 10 October 2022, the Group exercised its remaining warrants to purchase a further 75 million Lepidico shares. The Lepidico share price on the date of exercise was AU$0.019.

Prior to each exercise the derivative financial asset was revalued to fair value using the Black Scholes model which was updated for the prevailing Lepidico share price on the date of exercise. The Group recognised fair value losses of £852,864 (2021: fair value gains of £1,151,168) which arose as a result of fluctuations in the underlying spot price of Lepidico Ltd shares prior to exercise of the warrants.

As at the year end the Group held 75 million ordinary shares in Lepidico, the carrying value of which is outlined below.

	£
At 1 January 2022	-
Additions	1,411,003
Disposals	(595,806)
Fair value movements	(123,193)
Foreign exchange movements	(14,421)
At 31 December 2022	**677,583**

The Group completed the disposal of its investment in Lepidico in May 2023.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

16. Leases

The Group leases motor vehicles for use in its day-to-day operations. These leases comprise only fixed payments over the lease term.

Right of use assets

	Motor vehicles £
At 1 January 2021	-
Additions	27,206
Amortisation charge in the year	(4,974)
At 31 December 2021	22,232
Additions	11,733
Amortisation charge in the year	(12,137)
At 31 December 2022	**21,828**

Lease liabilities

	Motor vehicles £
At 1 January 2021	-
Additions	27,206
Interest expense	634
Lease payments	(10,861)
At 31 December 2021	16,979
Additions	11,733
Interest expense	1,432
Lease payments	(12,366)
At 31 December 2022	**17,778**

Split between:

Non-current liabilities	7,575
Current liabilities	10,203

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

16. Leases (continued)

The maturity analysis of amounts payable under finance leases is provided below:

	As at 31 December 2022			
	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Total
	£	£	£	£
Lease payments	2,922	8,422	7,829	19,173
Interest	(372)	(770)	(253)	(1,395)
	2,550	**7,652**	**7,576**	**17,778**

	As at 31 December 2021			
	Up to 3 months	Between 3 and 12 months	Between 1 and 3 years	Total
	£	£	£	£
Lease payments	2,319	7,968	8,870	19,157
Interest	(397)	(896)	(885)	(2,178)
	1,922	**7,072**	**7,985**	**16,979**

The total cash outflow during 2022 in relation to finance leases accounted for under IFRS 16 was £12,366 (2021: £10,861). The cash outflow during the year in relation to short term and low value leases was £51,269 (2021: £38,355).

17. Trade and other payables

	2022 **£**	2021 £
Current payables		
Trade payables	**919,268**	252,118
Accruals	**208,155**	84,445
Other payables	**-**	15,071
Total financial liabilities, classified as financial liabilities measured at amortised cost	**1,127,423**	351,634
Other payables - tax and social security payments	**554,360**	127,734
Corporation tax	**-**	398,087
Trade and other payables	**1,681,783**	877,455

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

18. Share capital

	2022 **£**	2021 £
Allotted, called up and fully paid		
592,803,561 (2021 - 534,269,495 of £0.000001) Ordinary Shares of £0.0001 each.	**59,280**	534
1 A share of £1 each	**1**	1
	59,281	535

On 14 January 2022 1,111,604 Ordinary shares of £0.000001 were issued at £0.135 per share, resulting in £150,065 of share premium.

On 4 April 2022 7,731,900 Ordinary shares of £0.000001 were issued at £0.05315 per share, resulting in £410,943 of share premium.

On 6 April 2022 740,740 Ordinary shares of £0.000001 were issued at £0.135 per share, resulting in £99,999 of share premium.

On 8 April 2022 4,727,600 Ordinary shares of £0.000001 were issued at £0.05315 per share, resulting in £251,261 of share premium.

On 20 June 2022, following shareholder approval, the Company reorganised its ordinary share capital which included the capitalisation of £54,309 of share premium and applied this to a bonus issue of 54,309,552,561 ordinary shares at £0.000001 nominal value. Following this, a share consolidation was affected whereby 54,858,133,900 ordinary shares with a nominal value of £0.000001 were restructured to 548,581,339 ordinary shares with a nominal value of £0.0001. This process included the capitalisation of £26,109,698 of share premium.

On 20 June 2022 1,000,000 Ordinary shares of £0.0001 were cancelled at £0.09036 per share, resulting in a reduction of £90,261 in share premium.

On 23 June 2022, TechMet exercised options of 45,000,000 ordinary shares of £0.0001 at a rate of £0.20 per share, resulting in share premium of £8,995,500.

On 23 June 2022, TechMet were issued warrants of 13,500,000 ordinary shares at £0.0001.

On 29 June 2022, 222,222 ordinary shares of £0.0001 were issued at par.

The following rights are attached to the A share:

The A Ordinary Share is entitled to 10% of any distribution of profits. On a return of capital on a sale, liquidation, capital reduction or otherwise the A Ordinary share is entitled to 10% of the surplus assets of the Company remaining after payment of its liabilities.

The A Ordinary Shares do not entitle the holders thereof to receive copies of any written resolutions, receive notices of any general meetings, nor vote on any such resolution or at any such meeting. The Company shall, however, supply to the holders of A Ordinary Shares all information and documents necessary to allow proper consideration to be given over a reasonable period of time to any proposed transaction or matter upon which A Ordinary Shareholder Consent, as defined in the Company's articles of association, is sought. The holders of the Ordinary Shares have one vote in respect of each Ordinary Share held.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

19. Reserves

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Share options reserve

The share options reserve is used to recognise the value of equity settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Retained earnings

Retained earnings represents cumulative profits and losses, net of dividends paid and other adjustments.

20. Financial instruments - risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Interest risk
- Liquidity risk
- Foreign exchange risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Other receivables
- Cash and cash equivalents
- Trade and other payables
- Held for trading financial asset
- Derivative financial asset

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

20. Financial instruments - risk management (continued)

Financial instruments by category

Financial assets	**As at 31 December**			
	Fair value through profit or loss	**Amortised cost**	Fair value through profit or loss	Amortised cost
	2022	**2022**	2021	2021
	£	**£**	£	£
Non-current assets as per the Statement of Financial Position				
Other receivables	**-**	**-**	-	271,047
Current assets as per the Statement of Financial Position				
Other receivables excluding prepayments	**-**	**1,418,376**	-	1,816,258
Cash and cash equivalents	**-**	**8,105,712**	-	11,965,639
Derivative financial asset	**-**	**-**	1,212,910	-
Held for trading financial asset	**677,583**	**-**	-	-
Total financial assets	**677,583**	**9,524,088**	1,212,910	14,052,944

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

20. Financial instruments - risk management (continued)

Financial liabilities

	As at 31 December	
	Amortised cost	Amortised cost
	2022	2021
	£	£
Trade and other payables - payable within 1 year	**1,681,783**	877,455
Lease liabilities - payable within 1 year	**10,203**	8,994
Lease liabilities - payable in more than 1 year	**7,575**	7,985
	1,699,561	894,434

Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, other receivables, trade and other payables, and lease liabilities.

Due to their short-term nature, the carrying value of cash and cash equivalents, other receivables and trade and other payables approximates to their fair value.

Financial instruments measured at fair value

Financial instruments measured at fair value include held for trading financial assets and derivative financial assets.

The fair value movement recognised in the profit or loss for the year totalled £123,193 of losses in relation to the held for trading financial assets (included within administrative expenses) (2021: £Nil) and £852,864 of losses in relation to fair value movements in the derivative financial asset (2021: fair value gains of £1,151,168). These losses are included within finance expense (2021: finance income) in the Statement of Comprehensive Income.

There were no transfers between levels during the year.

There were no changes to the valuation techniques during the year.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

20. Financial instruments - risk management (continued)

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to management.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's risk, development plans, competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's maximum exposure to credit risk is equivalent to the carrying value of its financial assets as at 31 December 2022 and 31 December 2021.

A credit-related impairment is recognised if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

As at 31 December 2022 and 31 December 2021 the Group had no receivables past due.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions.

For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors.

The value of the held for trading financial asset (and the preceeding derivative financial asset) is driven by the underlying Lepidico share price therefore its value is impacted by swings in the value of the share price together with other market factors. The Group has no control over this and this may have a material impact on its carrying value going forward.

The Group is reliant on funding itself through the issuance of its common equity. The market value of this equity is based on, amongst several other factors, the price of lithium, macro-economic factors, inflation, the progress of the electric vehicle uptake, supply and demand for lithium, mineral extraction industry sentiment and environmental and social concerns which the Group has no control over.

Interest rate risk

The Board consider that the exposure of the Group to interest rate risk is not significant as it has no borrowings.

The Group receives interest on its cash reserves however this is not considered to be material.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

20. Financial instruments - risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by ensuring that it has adequate cash resources and financing arrangements in place. This is achieved by close monitoring of cash positions and monthly cash flow forecasting. The Group's requirement for further funding as at the date of signing this report and the methods management has employed to monitor and forecast cash flows are detailed further in note 2.5.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	As at 31 December 2022			
	Up to 3 months	**Between 3 and 12 months**	**Between 1 and 2 years**	**Total**
	£	**£**	**£**	**£**
Trade and other payables	**1,681,783**	**-**	**-**	**1,681,783**
Lease liabilities	**2,551**	**7,652**	**7,575**	**17,778**
	1,684,334	**7,652**	**7,575**	**1,699,561**

	As at 31 December 2021			
	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Total
	£	£	£	£
Trade and other payables	877,455	-	-	877,455
Lease liabilities	1,922	7,072	7,985	16,979
	879,377	7,072	7,985	894,434

The Board considers that the operational exposure of the Group to FX risk is not significant given that it raises funding in British pounds and most of its expenses are denominated in British pounds. FX implications are considered when entering into material new contracts and where a British pound price cannot be secured, any material FX exposures would be hedged if deemed necessary and the relevant foreign currency may be procured at the time of entering the contract to minimise the risk.

There are short term (30 day) foreign currency trade payables but these are considered immaterial and these transactions are not hedged.

The held for trading financial asset and derivative are denominated in Australian dollars. The Board has considered hedging this exposure but given the volatility of the underlying Lepidico share price and therefore valuation, it was decided the risk of hedging an uncertain exposure outweighed the benefit of hedging the currency risk.

Capital management

The Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern while pursuing exploration and developments.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

21. Share-based payments

Share option scheme

Cornish Lithium Plc operates equity settled share-based remuneration schemes for its employees and consultants. There are no market or non-market based, performance related vesting conditions.

Some of the options have vested immediately while others vest over a vesting period of four years. The right to exercise options expires ten years after the grant date. The weighted average remaining contractual life of outstanding options as at 31 December 2022 was 8.5 years (2021: 8.6 years).

	Weighted average exercise price (pence) 2022	**Number 2022**	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	**0.0533**	**16,512,200**	0.0388	12,992,200
Granted during the year	**0.13208**	**15,300,000**	0.0904	4,600,000
Exercised during the year	-	-	0.03703	(540,000)
Cancelled during the year	-	-	0.03703	(540,000)
Outstanding at the end of the year	**0.14981**	**31,812,200**	0.0533	16,512,200
Exercisable at the end of the year	**0.10085**	**11,402,200**	0.0451	12,056,089

Exercisable options remain exercisable until the employees or consultants cease working with the Company, or 10 years from option grant, whichever is shorter.

The Company is unable to directly measure the fair value of employee services remunerated via share option schemes and so has used the Black-Scholes option pricing model to determine the fair value of the instruments awarded. The key assumption used in the valuation of the options granted during the year is the annualised volatility which has been taken as 50% (2021: 50%) and the interest rate applied is based off of a ten-year government gilt from the date of grant ranging from 0.221% to 2.585% (2021: 0.221% to 1.777%).

The exercise price of options granted during the year was determined with reference to prices paid by external investors in recent funding rounds. The weighted average fair value per share of share options granted during the year was £0.056 (2021: £0.054).

Share-based payment charge for the year

The amount included in the Consolidated Statement of Comprehensive Income as an administrative expense in respect of share-based payments arising from employee share options is as follows:

	2022 £	2021 £
Equity settled schemes charge for the year	**610,373**	118,074

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

21. Share-based payments (continued)

Warrants

Cornish Lithium Plc operates an equity warrant instrument scheme for certain directors and major shareholders. There are no vesting conditions. All warrants were exercised in April 2022 and no further warrants have been issued.

Further to the Company's announcement on the 25th November 2021 whereby it had entered a transaction with TechMet for an £18,000,000 funding package and the Company's announcement dated 24th June 2022 which confirms the exercise of TechMet's second tranche, the Company has issued warrants to TechMet granting them the right but not the obligation to subscribe for 13,500,000 ordinary shares at nominal value upon the sooner of the Company becoming listed on a stock exchange or the procurement of financing that permits the construction of any project. The warrants will expire unexercised within 3 years if neither condition occurs.

The amount included in the Consolidated Statement of Comprehensive Income as an administrative expense in respect of share-based payments arising from warrants is as follows:

	2022 **£**	2021 £
Equity settled schemes charge for the year	**-**	-

Nil paid shares with put option

Cornish Lithium Plc operates equity settled share-based remuneration schemes for its employees and contractors. The only vesting condition is that the individual remains an employee or contractor of the Company for one year.

The options vest monthly over a vesting period of four years and the right to exercise options expires ten years after the grant date.

All nil paid shares were fully paid up or cancelled in June 2022 and the scheme has ceased to operate.

	Weighted average exercise price (pence) 2022	**Number 2022**	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	**0.0405**	**6,700,000**	0.0296	5,500,000
Granted during the year	**-**	**-**	0.0904	1,200,000
Cancelled during the year	**(0.0405)**	**(6,700,000)**	-	-
Outstanding at the end of the year	**-**	**-**	0.0405	6,700,000

Of the total number of options outstanding at the end of the year nil (2021: 5,383,319) had vested and were exercisable at the end of the year with a weighted average exercise price of £nil (2021: 0.327p).

The Company have used the Black-Scholes option pricing model to determine the fair value of the instruments awarded. The key assumption used in the valuation of the options granted during the year is the annualised volatility which has been taken as 50% and the interest rate applied is based off of a ten-year government gilt from the date of grant ranging from 0.221% to 1.431%.

21. Share-based payments (continued)

	2022 £	2021 £
Equity settled schemes charge for the year	-	35,871

Other share options

On 7 December 2021, the Company issued options to an external investor for which the exercise period begins the day the Company provides the Trevalour scoping study to the investor and ends 30 days later. The options were exercised on 23 June 2022.

22. Related party transactions

Key management personnel include all directors across the Group who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group (inclusive of employer national insurance contributions) was £874,798 (2021: £491,309).

A total of 2.5 million share options were issued to one director during 2022. The options have an exercise price of £0.135 per share and vest over a 4-year period from the date of grant.

Three directors exercised warrants to purchase a total of 3.25 million ordinary shares at £0.05315 per share during 2022 (2021: 8.81 million ordinary shares in total purchased by 4 directors at £0.0454 per share).

During the year, the Group incurred costs totalling £90,000 (2021: £188,825) from related parties in which a director was the sole director and shareholder.

23. Business combinations

On 28 March 2022, Cornish Lithium Plc increased its shareholding in Geocubed Limited, a company incorporated in England and Wales, by 10% to 100%. As a result of this, a reserves transfer between retained earnings and NCI has been recognised.

24. Commitments

As at 31 December 2022, the Group had the following commitments under non-cancellable operating leases that are outside the scope of IFRS 16. The costs associated with these leases are capitalised as intangible exploration and evaluation assets as permitted by IFRS 6.

	2022 £	2021 £
Within 12 months	**250,000**	50,000
1-2 years	**250,000**	50,000
2-5 years	**650,000**	100,000
5-10 years	**1,000,000**	-
11-20 years	**2,000,000**	-
20+ years	**1,966,667**	-
	6,116,667	200,000

The Group had also made capital expenditure commitments to purchase exploration and evaluation assets with a total value of £3,051,349 (2021: £Nil). These items have not been recognised as liabilities as at the Statement of Financial Position date.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

25. Events after the reporting period

On 9 May 2023 the Group completed the disposal of its shareholding in Lepidico Limited for a total consideration of £399,746. This investment was held as a financial asset held at fair value through profit or loss with a carrying value of £677,583 in the Consolidated Statement of Financial Position as at 31 December 2022. The shortfall between the carrying value and the sale proceeds has been recognised in the Statement of Comprehensive Income in 2023.

PARENT COMPANY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022 £**	2021 £
NON-CURRENT ASSETS			
Investments	3	**11,997**	10,059
Intangible assets	4	**11,514,218**	6,126,053
Property, plant and equipment	5	**611,220**	391,570
Other receivables - non-current	6	**-**	271,047
Right of use assets	8	**21,828**	22,232
		12,159,263	6,820,961
CURRENT ASSETS			
Other receivables	6	**5,371,531**	2,242,397
Financial assets	7	**677,583**	1,212,910
Cash and cash equivalents		**7,435,140**	11,748,741
		13,484,254	15,204,048
TOTAL ASSETS		**25,653,517**	22,025,009
CURRENT LIABILITIES			
Lease liabilities - current	8	**(10,203)**	(8,994)
Trade and other payables	9	**(1,408,129)**	(780,494)
		(1,418,332)	(789,488)
NON-CURRENT LIABILITIES			
Lease liabilities	8	**(7,575)**	(7,985)
Deferred tax liability		**-**	(218,722)
TOTAL LIABILITIES		**(1,425,907)**	(1,016,195)
NET ASSETS		**24,217,610**	21,008,814
EQUITY			
Share capital		**59,281**	535
Share premium		**8,995,500**	25,396,310
Share option reserve		**1,189,779**	579,406
Retained earnings		**13,973,050**	(4,967,437)
TOTAL EQUITY		**24,217,610**	21,008,814

PARENT COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2022

As permitted by section 408 of Companies Act 2006, a separate statement of comprehensive income for the Company has not been included in these financial statements. The Company's total comprehensive loss for the year ended 31 December 2022 was £7,223,520 (2021: total comprehensive loss of £1,397,969).

The accompanying notes form an integral part of these Company financial statements.

The financial statements were approved by the Board of Directors, authorised for issue on 5 June 2023 and were signed on its behalf by:

V B Gokool
Director

Registered number: 10205021

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium	Share option reserve	Retained deficit	Total equity
	£	£	£	£	£
AT 1 JANUARY 2021	**408**	**9,735,516**	**425,461**	**(3,569,468)**	**6,591,917**
COMPREHENSIVE LOSS FOR THE YEAR					
Loss for the year	-	-	-	(1,397,969)	(1,397,969)
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS					
Issue of ordinary shares	127	15,660,794	-	-	15,660,921
Share-based payment expense	-	-	153,945	-	153,945
AT 31 DECEMBER 2021	**535**	**25,396,310**	**579,406**	**(4,967,437)**	**21,008,814**
COMPREHENSIVE LOSS FOR THE YEAR					
Loss for the year				(7,223,520)	(7,223,520)
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS					
Issue of ordinary and bonus shares	58,846	9,853,458	-	-	9,912,304
Cancellation of share premium	-	(26,164,007)	-	26,164,007	-
Cancellation of nil paid shares	(100)	(90,261)	-	-	(90,361)
Share-based payment expense	-	-	610,373	-	610,373
					-
AT 31 DECEMBER 2022	**59,281**	**8,995,500**	**1,189,779**	**13,973,050**	**24,217,610**

Notes to the Parent Company financial Statements for the year ended 31 December 2022

1. Accounting policies

1.1. Basis of preparation

The annual financial statements of Cornish Lithium Plc (the Parent Company financial statements) have been prepared in accordance with Financial Reporting Standard 100 'Application of Financial Reporting Requirements' ("FRS 100") and Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

The financial statements have been prepared on a historical cost basis, except for the following items certain financial assets measured at fair value through profit or loss, details of which can be found in the relevant accounting policy.

All amounts are presented in pounds sterling, which is also the Company's functional currency. Amounts are rounded to the nearest pound, unless otherwise stated.

1.2. Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by UK endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel, and
- disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value), and
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

There were no other material amendments to the disclosure requirements previously applied in accordance with UK endorsed IFRS. The principal accounting policies adopted in the preparation of the financial statements as set out below have been consistently applied to all periods presented.

Notes to the Parent Company financial Statements for the year ended 31 December 2022

1.3. Going Concern

The Financial Statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Company and its subsidiaries (the "Group") are still in the exploration and evaluation stage of its development and is reliant on equity funding to finance its test work, development plans and operations including capital expenditure required to construct any of its development projects. The Group's projects are still in the early stages of development 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.

At the date of signing this report, the Group was in the process of finalising term sheets to secure additional equity funding of £10m from a group of existing shareholders. These funds will allow the Group to execute its business plan over the short term. In addition, the Group is in advanced negotiations with various parties as part of a wider financing process.

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, forecast fixed overheads, commitments and existing cash resources which will be used to fund these expenditures.

In addition, management has modelled various scenarios to reflect the possible timings and outcomes of its current financing process. All scenarios included the receipt, by July 2023, of the £10m bridge funding which is currently being finalised. This is because management have sufficient confidence that there will be a positive outcome to these negotiations in the timeframe required and the directors have received assurances from key investors that funding will be made available in the short term whilst further long-term financial investment is sought. The scenario modelling exercise included developing a 'stress-test' scenario which assumed an ongoing delay to the financing process after the receipt of the £10m cash injection. In this scenario, the Group is able to meet its commitments for a period of at least 12 months from the date these accounts were signed. All of the scenarios modelled require the receipt of further funding by July 2023. Without this, a material uncertainty exists that may cast significant doubt on the Group's - and therefore the Company's - ability to continue as a going concern.

It is management's firm view that Cornish Lithium is a uniquely attractive prospect for investors. Cornish Lithium has made strong progress in de-risking its hard rock and geothermal projects. This progress combined with its extensive mineral rights portfolio which allows it unrivalled access to Cornwall's abundant mineral wealth and the backdrop of increasing global demand for battery-grade lithium, means that the Board are confident of the business' ability to raise sufficient funds which will allow it to execute its business plan over the short and medium term. The advanced nature of discussions regarding the near-term receipt of funding from existing shareholders is particularly encouraging, as this will enable the Group's short term cash flow requirements to be met.

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

Notes to the Parent Company financial Statements for the year ended 31 December 2022

1. Accounting policies (continued)

1.4. 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.

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 15 years
Computer software	-	Straight-line basis over 3 years
Exploration and evaluation costs	-	No amortisation is charged in the exploration and evaluation phase

1.5. Other intangible assets

Exploration and evaluation costs

During the initial stage of a project, exploration costs are expensed in the 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 tangible or intangible assets based on the nature of the expense.

Intangible exploration and evaluation expenditure comprises 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.

Notes to the Parent Company financial Statements for the year ended 31 December 2022

1. Accounting policies (continued)

1.5. Other intangible assets (continued)

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.

Tangible exploration and evaluation assets are depreciated when they are deemed to be consumed as part of the exploration and evaluation phase of a project. The depreciation charge on these assets is then capitalised as an intangible exploration and evaluation asset.

The Company has concluded four key exploration agreements for defined areas within Cornwall and continues to negotiate further exploration agreements. The four exploration agreements entered into by the Company grant the Company 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 Company an option to enter into an agreed form 99 year mining lease which affords the Company 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 Company 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 Company would need to negotiate access rights to develop any mining project. To date, the Company 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

Notes to the Parent Company financial Statements for the year ended 31 December 2022

1. Accounting policies (continued)

1.6. Property, plant and equipment

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 Company 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 assets	-	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.

Tangible exploration and evaluation assets are only depreciated when they are consumed as part of the exploration and evaluation phase of a project.

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

Notes to the Parent Company financial Statements for the year ended 31 December 2022

1. Accounting policies (continued)

1.7. Financial assets

Financial assets within the scope of IFRS 9 are classified as fair value through profit or loss, fair value through other comprehensive income or at amortised cost.

The Company currently holds no financial assets held at fair value through other comprehensive income. The Company determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Amortised cost

This category of financial asset incorporates financial assets where the objective is to hold the asset in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. Assets in this category include other receivables such as refundable deposits paid to suppliers, amounts owed by subsidiary undertakings and cash and cash equivalents. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

As the Company is currently pre-revenue, it does not hold financial assets arising principally from the provision of goods and services to customers (e.g. trade receivables).

For other receivables, at each year-end, the Company assesses whether the credit risk on financial assets has increased significantly since initial recognition. If the credit risk on financial assets has not increased significantly since initial recognition, the Company measures the loss allowance for financial assets at an amount equal to the 12-month expected credit losses. If the credit risk on financial assets has increased significantly since initial recognition or for credit impaired financial assets, the Company measures the allowance account for the financial assets at an amount equal to the lifetime expected credit losses.

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.

Fair value through profit or loss

This category comprises in-the-money and out-of-money derivatives which are not designated as hedging instruments and held for trading equity investments. 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. The Company does not voluntarily classify any financial assets as being at fair value through profit or loss.

1.8. Financial liabilities

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and finance lease liabilities. 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.

Notes to the Parent Company financial Statements for the year ended 31 December 2022

1. Accounting policies (continued)

1.9. Leases

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;

(b) The Company obtains substantially all the economic benefits from use of the asset; and

(c) The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise from the use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

Land and property leases directly related to exploration and evaluation activities are accounted for under IFRS 6, whereby rental costs are capitalised as intangible exploration and evaluation assets.

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. The Company does not hold any leases in which this rate can not be readily determined.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease, and
- initial direct costs incurred.

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.

Leases held by the Company which are within the scope of IFRS 16 all relate to vehicles with typical lease terms of between 2 and 4 years. These leases comprise only fixed payments over the lease terms.

<u>Short-term leases and leases of low-value assets</u>

The Company 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 Company 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.

Notes to the Parent Company financial Statements for the year ended 31 December 2022

1. Accounting policies (continued)

1.10. Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity and not in the statement of comprehensive income.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of taxable temporary difference associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Notes to the Parent Company financial Statements for the year ended 31 December 2022

1. Accounting policies (continued)

1.11. Grants

The amounts represented in other operating income relate to grants provided by external parties in order to assist with the funding of the Company. 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 other receivables.

2. Critical accounting estimates and judgements

The Company 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.

Judgements:

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.

IFRS 6: Exploration for and evaluation of mineral resources, outlines the potential indicators of impairment to 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 31 December 2022, £9.6m of costs have been capitalised as an intangible exploration and evaluation asset and £0.4m of costs have been capitalised as a tangible exploration and evaluation asset. Management has budgeted the costs for further development of these assets however their recoverability is dependent on future funding.

Going concern

The directors exercise judgement when concluding on going concern as the basis of preparation of the financial statements. For further details see note 1.3.

Notes to the Parent Company financial Statements for the year ended 31 December 2022

2. Critical accounting estimates and judgements (continued)

Estimates:

Share-based payments

Estimating the fair value for share-based payment transactions requires 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. These inputs are based on management estimates at the date of grant.

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. The weighted average fair value per share of share options granted during the year was £0.056 (2021: £0.054).

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. Investments

	Investments in subsidiary companies £
At 1 January 2022	10,059
Additions	1,938
At 31 December 2022	**11,997**

On 28 March 2022, Cornish Lithium Plc increased its shareholding in Geocubed Limited, a company incorporated in England and Wales, by 10% to 100%.

The following were subsidiary undertakings of the Group:

Name	Registered office	Class of shares	Holding
Geocubed Limited	United Kingdom	Ordinary	100%
Cornish Lithium G5 Limited	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 were dormant as at 31 December 2022.

Notes to the Parent Company financial Statements for the year ended 31 December 2022

4. Intangible assets

	Patents and licences	Exploration and evaluation costs	Computer software	Total
	£	£	£	£
Cost				
At 1 January 2022	**2,269,939**	**4,016,534**	**13,904**	**6,300,377**
Additions	-	5,541,127	-	5,541,127
At 31 December 2022	**2,269,939**	**9,557,661**	**13,904**	**11,841,504**
Amortisation				
At 1 January 2022	**163,940**	**-**	**10,384**	**174,324**
Charge for the year	151,329	-	1,633	152,962
At 31 December 2022	**315,269**	**-**	**12,017**	**327,286**
Net book value				
At 31 December 2022	**1,954,670**	**9,557,661**	**1,887**	**11,514,218**

5. Property, plant and equipment

	Plant and machinery	Computer equipment	Exploration and evaluation assets	Total
	£	£	£	£
Cost				
At 1 January 2022	**43,731**	**260,683**	**262,822**	**567,236**
Additions	18,425	136,109	154,780	309,313
At 31 December 2022	**62,156**	**396,792**	**417,602**	**876,549**
Depreciation				
At 1 January 2022	**27,238**	**148,428**	**-**	**175,666**
Charge for the year	11,879	77,784	-	89,663
At 31 December 2022	**39,117**	**226,212**	**-**	**265,329**
Net book value				
At 31 December 2022	**23,039**	**170,580**	**417,602**	**611,220**

Notes to the Parent Company financial Statements for the year ended 31 December 2022

6. Other receivables

	2022 **£**	2021 £
Non-current receivables		
Other receivables - non-current	**-**	271,047
Current receivables		
Trade receivables	**-**	4,368
Amounts owed by group undertakings	**3,603,799**	1,335,825
Other receivables	**669,867**	195,789
Prepayments and accrued income	**472,139**	706,415
Tax receivable	**625,726**	-
Total current receivables	**5,371,531**	2,242,397
Total receivables	**5,371,531**	2,513,444

Amounts owed by Group undertakings relate to loans payable which bear interest at 5% per annum. All amounts are repayable on demand. During the year ended 31 December 2022, the Company reviewed the outstanding loans due and has booked expected credit losses of £995,663 in relation the amounts due (2021: £Nil). These have been included as an administrative expense in the statement of comprehensive income.

Other receivables include of VAT receivable of £441,027 (2021: £183,384), returnable deposits held with suppliers of £50,000 (2021: £Nil) and £162,615 receivable from former holders of nil-paid shares (2021: £Nil).

7. Financial assets

	2022 **£**	2021 £
Australian listed equity securities measured at fair value through profit or loss	**677,583**	-
Derivative financial asset measured at fair value through profit or loss	**-**	1,212,910
	677,583	1,212,910

Australian listed equity securities consist of shares held in Lepidico Limited ("Lepidico"). The derivative financial asset represents the purchase warrants for 100 million shares in Lepidico at a price per share of AUD$0.016. The purchase warrants was issued on 8th December 2020 in relation to the Lepidico licensing agreement. The expiry date of the warrants was 8th December 2022.

The warrants were valued using the Black Scholes model. The key assumptions used in the initial valuation of the warrants are the annualised volatility which has been taken as 60% and the interest rate applied is based off of a ten-year Government bond from the date of grant at 1.013% as a risk-free rate proxy.

During the year ended 31 December 2022 the Company exercised these warrants to purchase 100million ordinary shares in Lepidico. This exercise occurred in two tranches. The first tranche of 25 million shares were purchased on 4 April 2022. The Lepidico share price on the date of exercise was AU$0.040. The shares were subsequently sold at a weighted average price of AU$0.0352 generating a loss on disposal of £101,307.

On 10 October 2022, the Company exercised its remaining warrants to purchase a further 75 million Lepidico shares. The Lepidico share price on the date of exercise was AU$0.019.

Prior to each exercise the derivative financial asset was revalued to fair value using the Black Scholes model which was updated for the prevailing Lepidico share price on the date of exercise. The Company recognised fair value losses of £852,864 (2021: fair value gains of £1,151,168) which arose as a result of fluctuations in the underlying spot price of Lepidico Ltd shares prior to exercise of the warrants.

Notes to the Parent Company financial Statements for the year ended 31 December 2022

7. Financial assets (continued)

As at the year end the Company held 75 million ordinary shares in Lepidico, the carrying value of which is outlined below.

	£
At 1 January 2022	-
Additions	1,411,003
Disposals	(595,806)
Fair value movements	(123,193)
Foreign exchange movements	(14,421)
At 31 December 2022	**677,583**

The Company completed the disposal of its investment in Lepidico in May 2023.

8. Leases

The Company leases motor vehicles for use in its day-to-day operations. These leases comprise only fixed payments over the lease term.

Right of use assets

	Motor vehicles £
At 1 January 2021	-
Additions	27,206
Amortisation charge in the year	(4,974)
At 31 December 2021	22,232
Additions	11,733
Amortisation charge in the year	(12,137)
At 31 December 2022	**21,828**

Notes to the Parent Company financial Statements for the year ended 31 December 2022

8. Leases (continued)

Lease liabilities

	Motor vehicles £
At 1 January 2021	-
Additions	27,206
Interest expense	634
Lease payments	(10,861)
At 31 December 2021	16,979
Additions	11,733
Interest expense	1,432
Lease payments	(12,366)
At 31 December 2022	**17,778**
Split between:	
Non-current liabilities	7,575
Current liabilities	10,203

The maturity analysis of amounts payable under finance leases is provided below:

	As at 31 December 2022			
	Up to 3 months	**Between 3 and 12 months**	**Between 1 and 2 years**	**Total**
	£	**£**	**£**	**£**
Lease payments	**2,922**	**8,422**	**7,829**	**19,173**
Interest	**(372)**	**(770)**	**(253)**	**(1,395)**
	2,550	**7,652**	**7,576**	**17,778**

	As at 31 December 2021			
	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Total
	£	£	£	£
Lease payments	2,319	7,968	8,870	19,157
Interest	(397)	(896)	(885)	(2,178)
	1,922	7,072	7,985	16,979

The total cash outflow during 2022 in relation to finance leases accounted for under IFRS 16 was £12,366 (2021: £10,861). The cash outflow during the year in relation to short term and low value leases was £51,269 (2021: £38,355).

Notes to the Parent Company financial Statements for the year ended 31 December 2022

9. Trade and other payables

Current:	2022 £	2021 £
Trade payables	**733,912**	176,828
Accruals	**198,769**	68,424
Other payables	**50**	23,375
Other tax and social security payments	**475,398**	113,780
Corporation tax	**-**	398,087
	1,408,129	780,494

10. Commitments

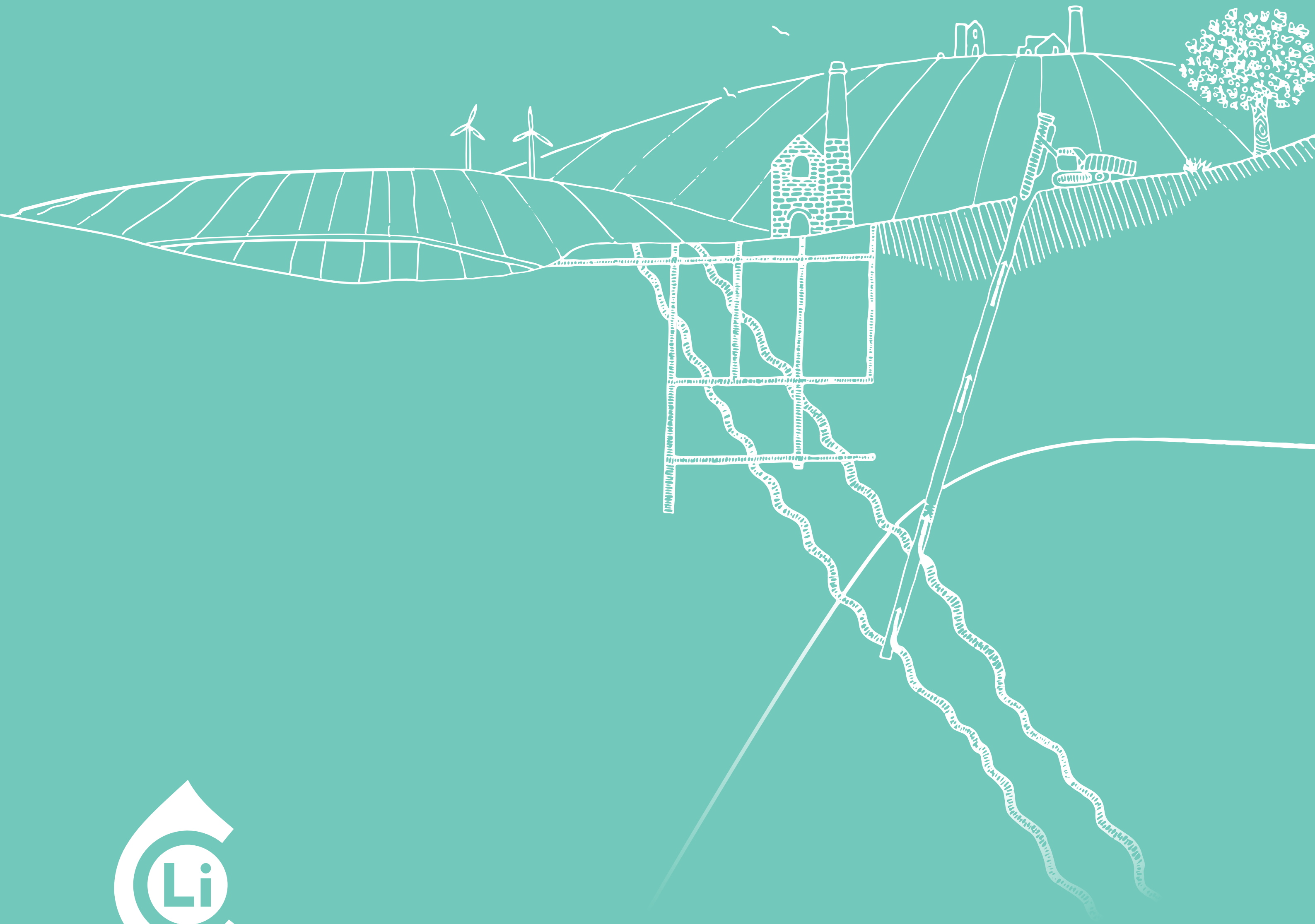
As at 31 December 2022, the Company had the following commitments under non-cancellable operating leases that are outside the scope of IFRS 16. The costs associated with these leases are capitalised as intangible exploration and evaluation assets as permitted by IFRS 6.

	2022 £	2021 £
Within 12 months	**50,000**	50,000
1-2 years	**50,000**	50,000
2-5 years	**50,000**	100,000
	150,000	200,000

The Company had also made capital expenditure commitments to purchase exploration and evaluation assets with a total value of £3,051,349 (2021: £Nil). These items have not been recognised as liabilities as at the Statement of Financial Position date.

11. Events after the reporting period

On 9 May 2023 the Company completed the disposal of its shareholding in Lepidico Limited for a total consideration of £399,746. This investment was held as a financial asset held at fair value through profit or loss with a carrying value of £677,583 in the Statement of Financial Position as at 31 December 2022. The shortfall between the carrying value and the sale proceeds has been recognised in the Statement of Comprehensive Income in 2023.



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