

**Cadence Minerals PLC**

**Annual Report and Accounts  
For the year ended 31 December 2021**

**CADENCE MINERALS PLC**

**COMPANY INFORMATION**

For the year ended 31 December 2021

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Company registration number: 05234262

Registered office: c/o Hill Dickinson LLP  
The Broadgate Tower  
Primrose Street  
London  
EC2A 2EW

Directors: Andrew Suckling (Non-Executive Chairman)  
Kiran Morzaria (Chief Executive Officer)  
Donald Strang (Executive Finance Director)  
Adrian Fairbourn (Non-executive Director)

Secretary: Donald Strang

Nominated adviser and  
Nominated broker: W. H. Ireland Limited  
24 Martin Lane  
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Solicitors: Hill Dickinson LLP  
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Auditors: PKF Littlejohn LLP, Statutory Auditor  
15 Westferry Circus  
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# CADENCE MINERALS PLC

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For the year ended 31 December 2021

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### Forward-looking Statement

This annual report contains 'forward-looking information', which may include, but is not limited to, statements with respect to the future This annual report contains 'forward-looking information', which may include, but is not limited to, statements with respect to the future financial and operating performance of Cadence Minerals, the estimation of mineral resources, the realisation of mineral resource estimates, costs of production, capital and exploration expenditures, costs and timing of the development of new deposits, requirements for additional capital, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, licenses, environmental risks, title disputes or claims.

Often, but not always, forward-looking statements can be identified by the use of words such as 'plans', 'expects', 'is expected', 'budget', 'scheduled', 'estimates', 'forecasts', 'intends', 'anticipates' or 'believes', or variations (including negative variations) of such words and phrases, or state that certain actions, events or results 'may', 'could', 'would', 'might' or 'will' be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Cadence and/or its subsidiaries, investment assets and/or its affiliated companies to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations and studies; fluctuations in the value of UK Pounds Sterling relative to the United States Dollar, and other foreign currencies; changes in project parameters as plans continue to be refined; future prices of products; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability, adverse weather conditions, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities.

Although Cadence has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may well be other factors that cause actions, events or results to differ from those currently anticipated, estimated or intended.

Forward-looking statements contained herein are made as of the date of this annual report and Cadence disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this annual report should be construed as a profit forecast.

## **CADENCE MINERALS PLC**

### **STRATEGIC REPORT**

For the year ended 31 December 2021

#### **OUR BUSINESS AND INVESTMENT STRATEGY**

Cadence Minerals is an early stage investment and development company within the mineral resource sector and is listed as an investment company on the London Stock Exchange AIM market and the Aquis Stock Exchange, also based in London.

Our strategy is to identify and invest in undervalued assets, with strategic advantages that will deliver capital growth..

To meet long-term demand, we believe the metals and mining sectors require focused investment capital from knowledgeable investors that understand the substantial risk of the mineral resource sector and how to mitigate these risks to maximise potential returns for our investors.

Our investment strategy comprises of investments in private assets, in which we take a private equity approach, and public equity (e.g. listed on a stock exchange). These classes of investment can be held actively or passively.

Active investments are typically larger investments where Cadence seeks to positively influence the management of investee companies by providing oversight and guidance at Board level to enhance shareholder value and minimize downside risk.

Our private investments include mineral exploration and development projects, run either through joint venture companies or joint venture licenses, operated by the joint venture company with in-country partners who have the requisite knowledge and expertise to advance projects. More recently in this part of our investment portfolio, we have taken an active part in the management and decision making of our investee companies, using legal agreements to provide negative control mechanisms to protect the Company's investments. We ideally seek to fund private investment via earn-ins, and if possible, look to incentivise our joint venture partners via equity in Cadence against deliverables that will add value.

The Equity Investment segment includes both active and passive investments as part of our trading portfolio. The trading portfolio consists of investments in listed mining equities where the Board believes the underlying investments are attractive. The focus is to invest in mining companies that are significantly undervalued by the market and where there is substantial upside potential through exploration success and/or development of a mining project towards commercial production. Ultimately the aim is to make capital gains in the short to medium term. Investments are considered individually based on various criteria and typically are stock exchange traded on the TSX, ASX, AIM or LSE.

In addition, we seek to further mitigate our risk exposure by obtaining a deep fundamental understanding of an investment, its potential economics, operating and legal environment and management team. By doing so, we can eliminate many of the potential investments that we review during the year and fund projects that we believe will deliver value to our shareholders.

## CADENCE MINERALS PLC

### STRATEGIC REPORT

For the year ended 31 December 2021

#### CHAIRMAN'S STATEMENT

##### **I am pleased to present the Company's Annual Report and Audited Financial Statements for the year ended 31 December 2021.**

Maintaining a balanced perspective on the macro picture has become increasingly difficult, with unexpected factors such as Russia's invasion of Ukraine creating a supply and price squeeze for many commodities. As I review the year and reflect on global events, and again on events more specific to our company outlook, it is remarkable how the macro backdrop has changed in totally unexpected ways. Previously unprecedented levels of economic stimulus have now been overtaken by inflation and interest rate hikes, while the shift towards globalisation has slowed down with the prospect of a localised war in Ukraine becoming more entrenched and widespread.

On behalf of the Board of Directors (Board) and management, I would like to thank all of our advisors, consultants and service providers and especially our shareholders for their support throughout the year. The Board and company have resumed pre pandemic work schedules and trips to visit site and project operational hubs, along with viewing potential investment opportunities and attending industry conferences. The opportunity to travel freely, to reconnect with people in person and to see projects in transition has truly been a highlight.

Our portfolio companies have continued to progress and have in many cases delivered landmark achievements. In no order of priority, the Board congratulates Macarthur Minerals on completing the Bankable Feasibility Study and moving significantly closer to operational success. European Metal Holdings has painstakingly continued to complete reviews and studies that highlight its low carbon footprint while it evolves into the largest hard rock lithium producer in Europe. As I have already stated, we continue to look for opportunities to unlock and discover value across our whole portfolio. Given the increased underlying prices of Lithium and Rare Earths we expect to be able to take advantage of these opportunities in the coming year. Recent announcements from the current Mexican Government over potentially controlling the nation's domestic Lithium supply have in no way put paid to our hopes that Bacanora's JV with Gangfeng will prove to be a success.

Of course, the highlight of the year was the formalising and successful settlement of the 'pending' investment into the Company's flagship Iron Ore Project at Amapa, Brazil. This process triggered the release of escrow funds to realise our investment, which then became a physical manifestation of the same when Iron Ore shipments commenced from the Stockpile at the Port of Santana. I write this after returning from a truly inspirational visit to see the project operations, and after viewing the port, railway and mine assets in Macapa (the Amapa system). Our investment there has also precipitated a transformation in the area's infrastructure, which will in time make a difference to the standard of living for the local people. Although this process has only just begun, early findings from our commissioned studies and reports are increasingly positive, giving the Board every confidence that our investment there will be a great and lasting success.

On a practical level, challenges still persist today, with global disruption to shipping and freight rates, along with increased costs associated with the capital and equipment required to bring projects into production. While Cadence is not alone in facing these challenges, your Board firmly believes we remain well positioned in the underlying commodity markets that reflect the Cadence portfolio. China continues to be the dominant focus of so much global supply and demand analysis, and with the prolonged lockdowns many commentators have expressed concern about economic expansion in the region. Initial analysis still suggests that economic stimulus and infrastructure spending will continue, and this, together with the Biden \$1 trillion infrastructure bill passed in November, will help sustain steel demand and therefore continue to support the demand for Iron ore, a key focus for Cadence.

**CADENCE MINERALS PLC**

**STRATEGIC REPORT**

For the year ended 31 December 2021

**CHAIRMAN'S STATEMENT (CONTINUED)**

As the impact of the pandemic begins to recede, we face new challenges of higher interest rates and inflation. For Cadence, sustained higher commodity prices especially those of Lithium and Iron Ore has remained one of the great positives across our portfolio, and together with the successful settlement and initial investment into the Amapa project, your Board believes we continue to be well placed to meet these challenges, both present and future.

In closing, I would like to personally thank my fellow Board members, staff and partners in the wider Cadence Community and of course all Shareholders for their continued encouragement and confidence in the Company.

**Andrew Suckling**

**Non-Executive Chairman, 21 June 2022**

## CADENCE MINERALS PLC

### STRATEGIC REPORT

For the year ended 31 December 2021

#### CHIEF EXECUTIVE OFFICER'S COMMENTARY

**I am pleased to present the audited results for the year ended 31 December 2021. Alongside the financial statements and supporting notes, a full review of business activities during the year is provided within the Strategic Report.**

The results presented for the period ended 31 December 2021 reflect a historical position in terms of the Company's progress and financial position, therefore we have included additional information on key post-year-end events in the Strategic Report.

Cadence has continued to pursue its strategic objectives despite the continued volatility in 2021 because we think that assets that are undervalued, de-risked, or have strategic advantages will outperform their peers in the long run. This plan yielded fruit in 2021, with the Company continuing to report profitable returns on its public investments and significant operation progress being made across its core investments.

The relaxation of Covid-19 restrictions, combined with the implementation of mass vaccination programmes and significant levels of monetary and fiscal stimulus by many governments around the world, resulted in a rapid resurgence of global economic activity in 2021: the IMF estimates 5.9 percent global growth for the year. The magnitude of this economic recovery was most pronounced in Europe and the United States, where, after contractions of 6.3 percent and 3.4 percent in 2020, annual growth rates of 5 percent and 6 percent, respectively, returned in 2021. Such rapid economic expansion was also observed in major emerging markets, with China growing by 8 percent and India growing by 9.5 percent.

However, the pace of recovery slowed in the second half of the year. Higher inflation emerged as part of the recovery, exacerbated by persistent pandemic-induced bottlenecks in global supply chains. Domestic inflationary pressures, currency movements, and the prospect of further US monetary tightening have necessitated more significant monetary policy responses in some emerging markets, including Brazil, where interest rates have been raised by 500 basis points since August in an effort to stem the tide of capital outflows, which has pushed the economy into recession

The impact of the various global fiscal stimuli has meant that the mining industry is facing the consequences of global commodity cost inflation, which is causing supply chain disruptions, consumer inflation, and large variations in energy costs and capital costs.

Overall, a progressive recovery from Covid-19 has resulted in positive demand growth, with supply gradually adjusting to match this increasing demand. This has proven beneficial in practically all of the exploration and development assets Cadence has invested in, in particular lithium and iron ore. Which by the end of the year had increased by 485% and 47% respectively in price.

Iron Ore tracked economic progress and were affected by geopolitical shifts throughout the year. Global crude steel production is expected to have climbed by 4.3 percent in 2021, setting a new high. Europe and the Americas experienced the most rapid increase. In China, the world's largest steel producer, output reached a new high in May before declining economic mood and a faltering real estate sector weighed on output. Iron ore prices reached a new high in May, fuelled by China's robust growth earlier in the year, to which supply struggled to respond. Prices averaged \$160/tonne for the entire year, the highest level since 2011.

## **CADENCE MINERALS PLC**

### **STRATEGIC REPORT**

For the year ended 31 December 2021

#### **CHIEF EXECUTIVE OFFICER'S COMMENTARY (CONTINUED)**

The buoyancy of the lithium price has been driven by the market tightening as the electric vehicle revolution accelerates. Demand has eroded the oversupply seen in 2019 and 2020. This market tightness is projected to persist, with Credit Suisse predicting that lithium demand might triple by 2025 from current levels, and that supply would be stretched to meet that demand, with higher prices required to incentivise the necessary supply response

As a result of this substantial shift in consumer behaviour, demand for lithium is expected to climb by 30 percent to 675,000 tonnes LCE in 2023, up from 2021 levels. Global battery consumption is predicted to climb 14-fold by 2030, with Statista projecting 1.8 million tonnes of lithium demand by 2030.

Despite the strong market fundamentals, lithium production is expected to be 441,000 tonnes LCE in 2021, down from 464,000 tonnes in 2020. However, lithium output is predicted to increase at a 13.4 percent CAGR to 679,000 tonnes in 2023. According to Macquarie, the deficit this year will be 2,900 tonnes of LCE, rising to 20,200 tonnes in 2022 and 61,000 tonnes in 2023.

Our portfolio has been focused on two main investments, and the first is the private Amapa Iron Ore Project. The key outstanding item for Cadence to complete its initial US\$2.5 million (20%) investment in the Amapa Project was the execution of a settlement agreement with the secured bank creditors. This was achieved at the end of the year, with Cadence vesting its 20% in February 2022 and subsequently increasing its stake to 27% in March 2022.

DEV Mineração S.A.'s ("DEV") the owner of the Amapa Project also began shipping of its 58% iron ore stockpiles during the year it shipped some 143,000 wet tonnes. The majority net proceeds of these sales is being paid to the secured bank creditors as part of the settlement agreement.

Operationally DEV progress has been solid, with DEV continuing to invest in the project with the priorities on the completion of a Pre-feasibility Study ('PFS') and the rehabilitation of the tailings dams at the Amapa Iron Ore Mine.

As we have mentioned on numerous occasions, the opportunity to invest in such a project is rare within our industry, and we believe this project provides us with a potentially transformative asset for our Company. The Amapa Project gives Cadence the potential for an exceptional return on investment in the run-up to full production and an opportunity to become a significant shareholder in a mid-tier iron ore producer.

The second of our key investments is European Metals Holdings ("EMH"), whose strategy is to become a Czech based lithium and tin producer. During the year, EMH's Cinovec Project has been significantly de-risked and is moving rapidly towards a final investment decision.

The progress and performance of our investment portfolio was well reflected in our share price performance during the year, which increased from around 15 pence to 28 pence.

This was clearly driven by the agreement reached with the Amapa Iron Project's secured bank creditors at the end of 2021.

During the year, we saw prices of up to 31 pence, which was driven by an increase in iron ore prices that reached US\$220 per tonne in August, but prices then fell to US\$90 by November 2021, which was reflected in our share price, which reached 17 pence in October 2022.



Cadence's share price has increased by more than 314 percent over the last two years, representing significant growth.

However, 2022 has been a very different story, with inflationary pressures affecting the entire equity market (the SP 500 is down some 20 percent this year). Cadence's share price performance in 2022 is well correlated to that of our equity investments, such as European Metals Holdings and other higher risk assets. This is despite our portfolio continuing to make solid operational progress and being fundamentally the same investments that drove our share price increases in 2020 and 2021.

During 2022, our priorities on the Amapa Iron Ore Project will be the publication of a maiden Ore Reserve Estimate, followed by the release of a PFS on the project. We will also plan to increase our stake in the asset. In addition, we anticipate that our investment in Lithium Technologies and Lithium Supplies will have listed during 2022, and we are hoping to crystallise some additional value from our other privately held investments.

I would like to express my gratitude to the Cadence team and our investee companies, who have all worked tirelessly to bring the Company and its investment to their current position. We believe that concentrating risk across a few important investments and commodities will pay off.

**Kiran Morzaria**  
**Chief Executive Officer, 21 June 2022**

## CADENCE MINERALS PLC

### STRATEGIC REPORT

For the year ended 31 December 2021

## INVESTMENT REVIEW

As outlined in the section "Our Business and Investment Strategy," Cadence operates an investment strategy in which we invest in private projects via a private equity model and in public equity. In both investment classes, we take either an active or passive role. We have reported in these segments below.

### PRIVATE INVESTMENTS, ACTIVE

#### **The Amapa Iron Ore Project, Brazil**

**Interest – 20 % at 31/12/2022 increased to 27% by 31/05/2022**

The Amapa Project is a large-scale iron open pit ore mine with associated rail, port and beneficiation facilities that commenced operations in December 2007. Production increased to 4.8 Mt and 6.1 Mt of iron ore concentrate product in 2011 and 2012, respectively. Before its sale in 2012, Anglo American valued its 70% stake in the Amapa Project at US\$462m (100% US \$660m).

In 2019 Cadence entered into a binding investment agreement to invest in and acquire up to 27% in the Amapa iron ore mine, beneficiation plant, railway and private port owned by DEV ("The Agreement"). The Agreement also gave Cadence a first right of refusal to increase its stake to 49%.

To acquire its 27% interest, Cadence will invest US\$6 million over two stages in a joint venture company. The first stage is for 20% of the JV, the consideration for which is US\$2.5 million. The second stage of investment is for a further 7% of JV for a consideration of US\$3.5 million.

#### *Vesting of Equity Interest in the Amapa Project*

During the year, the key target for Cadence was to vest its first 20% in the Amapa Project. This required DEV and the investors (Cadence and Indo Sino via our joint venture company) to reach a settlement agreement ("Settlement Agreement") with the secured bank creditors.

This was achieved on the 29 December 2021, when all the parties entered into a binding Settlement Agreement. The original credit facility provided to DEV by the secured creditors had a principle amount outstanding amount of US\$135 million. The Settlement Agreement settles all of the principal amount plus all interest, default interest, outstanding costs and fees ("Settlement Amount").

As a result of the Settlement Agreement and the Judicial Restructuring Plan approved in August 2019, the total principal amounts owed to the secured and unsecured creditors in classes I to IV of DEV have been reduced from approximately US\$231 million to approximately US\$103 million or approximately 45% of the original value.

The Settlement Amount will be paid over two years from the effective date of the Settlement Agreement, and it is to be satisfied by the net profits from the sale of DEV's iron ore stockpiles. The unsecured creditors will be paid from DEV's free cash flow over a period of nine years. Under the Settlement Agreement, DEV remains the obligor with the Secured Creditors having no recourse of repayment of the Settlement Amount to either Cadence or Indo Sino. The Settlement Agreement will remain secured over all of DEV's equity and assets.

Although the Settlement Agreement was executed within the year, the required contractual and regulatory documentation was completed post year end and Cadence vested its 20% interest in February 2022 and its 27% in March 2022.

## **CADENCE MINERALS PLC**

### **STRATEGIC REPORT**

For the year ended 31 December 2021

## **INVESTMENT REVIEW (CONTINUED)**

### *Iron Ore Shipments*

During the year the Commercial Court of São Paulo ("the Court") ruled that DEV could commence the shipment of the iron ore stockpiles situated at DEV's wholly-owned port in Santana, Amapa, Brazil. DEV was initially to export sufficient iron ore to realise a US\$10 million of iron ore (after the deductions of all logistical, regulatory, shipping and sale costs) from the Amapa stockpiles at the port.

By the end of May 2021 DEV had shipped three cargoes totalling approximately 143,500 wet tonnes of 58% sinter feed iron ore. After all costs these sales netted DEV circa US\$8 million. In July 2022, the Court permitted the export a further US\$10 million of iron ore (after the deductions of all logistical, regulatory, shipping and sale costs). However, with the 58% iron ore pricing decreasing some 40% from May to August 2021 and shipping pricing remaining strong during the period DEV determined that there was a substantial risk to profitably by continuing to ship while shipping prices remained at high levels (US\$ 80 – US\$90 per wet tonne)

Once the Settlement Agreement had been completed in February 2022, DEV has been free to ship from its stockpiles and is not restricted by the Court permissions outlined above. Subsequent to the year end DEV shipped a further 48,492 wet tonnes of 58% iron ore sinter fines, DEV expect to receive circa US\$ 900k for this shipment. Shipping prices have continued to increase during 2022, driven by higher diesel prices and limited availability of vessels. This combined with iron price volatility has meant that DEV is currently not shipping from its stockpiles.

The vast majority of the net proceeds from the sales of the Iron Ore has been paid to the secured bank creditors as part of the Settlement Agreement. The remainder of the funds have been applied to DEV operations.

### *Operations Review*

The operational focus for the year at the Amapa Project has been the start the rehabilitation process of the project. This has primarily focused on tailing dam maintenance. DEV has employed a civil engineer and two geotechnical consulting firms to advance the work programme, including monitoring, geotechnical stability testing and statutory reporting. The end goal is to ensure that the current dams will be suitable for future operations amid Brazil's more stringent regulatory environment.

In addition, DEV also began early rehabilitation of light infrastructure, the regularising the statutory reporting with the federal mining authority and state environmental authorities.

The other important focus for DEV and Cadence was to start the PFS. This began in 2021 with DEV appointing several internationally accredited engineering and consulting firms to carry out the PFS. At the time of writing The PFS is progressing as expected, with the consulting engineers for the mine operations, ore reserve estimation, metallurgy, processing, infrastructure and shipping having submitted their draft reports.

The PFS contemplates refurbishing and rehabilitating the existing port, rail and plant with modifications being made to the beneficiation plant to achieve a larger portion of 65% iron concentrate (4.9 Mt). The PFS is based on producing 5.3 Mt of iron ore concentrate per annum.

## **CADENCE MINERALS PLC**

### **STRATEGIC REPORT**

For the year ended 31 December 2021

## **INVESTMENT REVIEW (CONTINUED)**

### *The Amapa Project's Current Development Plan*

The PFS, once complete will outline more fully the development timelines, capital required to achieve the stated project aims. Subsequent to the publication of an economic PFS we expect the DEV will seek to commission a Definitive Study ("DFS"). The DFS is required to seek project debt and equity finance which will be sought once the DFS is complete.

Cadence and its joint venture partners are having early discussions with potential debt providers and corporate financiers, which we will advance once the PFS is complete. On completion of the DFS and securing debt and equity financing project construction will commence.

### **Lithium Technologies Pty Ltd & Lithium Suppliers Pty Ltd ("LT" & "LS")**

**Interest – 31.5% at 31/12/2022 and 31/05/2022**

In December 2017, Cadence Minerals announced that it had executed binding investment agreements to acquire up to 100% LT & LS, which was subsequently varied to acquire three prospective assets in Australia that are in regions with proven high-grade lithium mineralisation.

LT and LS, through their subsidiaries, are the holders of two prospective exploration licenses and one exploration application in Australia and a further seven exploration license applications in Argentina.

All of the licenses and applications target prospective hard rock lithium deposits. The most significant of these is the Litchfield lithium prospect, which is contiguous to Core Lithium's (ASX: CXO) strategic Finniss Lithium Project (JORC compliant ore reserves: 7.4Mt @ 1.3% Li<sub>2</sub>O)<sup>2</sup>.

During the year we saw a renewed interest in hard rock lithium projects in Australia. As such we increased our investment to 31.5% into LT & LS which funded operations on the Litchfield exploration license.

Satellite imagery verified the geology along the Litchfield exploration license north-west boundary is comparable to Core Lithium Ground. LT & LS's geological consultant conducted intensive surface sampling across four target areas within the NW quadrant, taking 657 samples to determine the potential for contiguous mineralisation. The sampled areas mostly comprised metamorphic rocks linked to the Burrell Creek formation - a host rock for the regional occurrences of pegmatites. The samples results were returned in 2022, these results confirmed LT & LS's view that the areas adjacent to Core Lithium boundary are prospective for lithium pegmatites.

Subsequent to the year end Cadence and the remaining shareholders entered into a conditional sale of 100% of LT and LS. The consideration for LT and LS is up to A\$ 21.05 million (£11.82 million). Cadence has 31.5% of LT and LS and would receive up to A\$ 6.63 (£3.72 million). The Buyer is a public, unlisted company in Australia ("Buyer").

The acquisition of LT and LS has several conditions precedent, including the completion of due diligence and the relevant regulatory approval. Assuming this is successful, the Buyer will acquire 100% of LT and LS through a mixture of cash and shares partially paid on completion of the sale of LT and LS and the remainder paid on the achievement of key performance milestones.

## CADENCE MINERALS PLC

### STRATEGIC REPORT

For the year ended 31 December 2021

#### INVESTMENT REVIEW (CONTINUED)

The Buyer has committed to spending at least A\$4 million on the exploration of Litchfield during the three years post the completion of the sale. Should the milestones not be achieved during this period, the respective consideration will not be payable.

The proceeds received by the Company will be used for reinvestment as per our investment strategy. In relation to the shares received as part of the consideration, the Company will be bound by an escrow agreement with the Buyer as per the regulatory authorities in Australia and will be in the form and substance consistent with the ASX Listing Rules. After the lapse of the escrow arrangement, Cadence will retain or dispose of these shares as per our investment strategy.

#### PRIVATE INVESTMENTS, PASSIVE

##### Sonora Lithium Project, Mexico

##### Interest – 30% at 31/12/2021 and 31/05/2022

Cadence holds an interest in the Sonora Lithium Project via a 30% stake in the joint venture interests in each of Mexalit S.A. de CV ("Mexalit") and Megalit S.A. de CV ("Megalit").

Mexalit forms part of the Sonora Lithium Project. The Sonora Lithium Project consists of ten contiguous concessions covering 97,389 hectares. Two of the concessions (La Ventana, La Ventana 1) are owned as of the date 100% by subsidiaries of Gangfeng Lithium Co., Ltd ("Gangfeng"). El Sauz, El Sauz 1, El Sauz 2, Fleur and Fleur 1 concessions are owned by Mexalit S.A. de C.V. ("Mexalit"), which is owned 70% by Gangfeng and 30% by Cadence.

The Sonora Project holds one of the world's larger lithium resources and benefits from being both high grade and scalable. The polyolithionite mineralisation is hosted within shallow dipping sequences, outcropping on the surface. A Mineral Resource estimate was prepared by SRK Consulting (UK) Limited ("SRK") in accordance with NI 43-101. The current lithium resources and reserves for the Sonora Lithium Project and the attributable amounts to Cadence are available on our website here: <https://www.cadenceminerals.com/projects/sonora-lithium-project/>.

A feasibility study report was published in January 2018, which confirmed the positive economics and favourable operating costs of a 35,000 tonnes per annum battery-grade lithium carbonate operation. The feasibility study report estimates a pre-tax project net present value of US\$1.253 billion at an 8% discount rate and an Internal Rate of Return of 26.1%, and Life of Mine operating costs of US\$3,910/t of lithium carbonate. **It should be noted that under the published feasibility study, the concession owned by Mexalit will be mined starting in year 9 of the mine plan cease at the end of the mine life in year 19**, and as such, assuming Cadence retains its position, any net realisable economic benefit to Cadence would only accrue at this time.

The full report can be found here: <https://www.bacanoralithium.com/pdfs/Bacanora-FS-Technical-Report-25-01-2018.pdf>

## CADENCE MINERALS PLC

### STRATEGIC REPORT

For the year ended 31 December 2021

## INVESTMENT REVIEW (CONTINUED)

### Summary of Activities

The most significant development for the Sonora Lithium project both during 2021 and 2022, was that Ganfeng completed the acquisition of the Sonora Lithium Project.

Although this does not directly affect the terms of our Joint Venture, having Gangfeng as a partner in the development of this project is highly encouraging, given that Gangfeng's involvement in the development of the project to date and their extensive experience in the lithium market holding company is the world's third-largest and China's largest lithium compounds producer and the world's largest lithium metals producer in terms of production capacity.

Whilst COVID-19 has impacted the progress on the Sonora Lithium Project, work to complete the front-end engineering design ("FEED") has continued throughout the period. Ganfeng is currently appointing a Chinese Design Institute to complete the FEED with initial site layouts scheduled for Q2 2022. Ganfeng is continuing to work with its equipment suppliers and, along with the Company, is maintaining its previously advised project delivery schedule with first lithium production in H2 2024.

Rescue and removal of surface vegetation and topsoil in the area required for the construction of the lithium processing plant have been completed. Plant site location survey, geotechnical, and hydrogeological works have also been completed. Works to build the construction road and early work camp have commenced. Site works for bulk earthworks are expected to commence in late 2022.

On September 30, 2021, Mexican politicians from the MORENA party tabled a draught bill to reform Mexico's energy sector, including statements that lithium would be included among the minerals considered strategic for the energy transition and that no new concessions for lithium exploitation by private companies could be granted. Subsequent to the year end the Mexican senate elevated lithium deposits to the category of "strategic minerals", declaring the exploration, exploitation, and use of lithium to be the exclusive right of the state.

We are constantly examining possible legislative changes and Gangfeng is ensuring that the mineral concessions remain legitimate. It is our current view that the Decree passed by the senate only impacts licenses, concessions or contracts to be granted not already those already granted as is the case for the Sonora Lithium Project. Therefore, at this point we do not believe there is a material impact to our joint venture areas.

### **Yangibana Project, Australia**

#### **Interest – 30% at 31/12/2022 and 31/05/2022**

The Yangibana Project is a significant Australian Rare Earths Project, containing substantial Neodymium and Praseodymium resources. The Project currently covers approximately 650 square kilometres. The Project is located in the Gascoyne region of Western Australia, some 250 kilometres northeast of Carnarvon.

Cadence holds interests in tenements covering some of the prospective Gifford Creek Ferrocarnatite Complex. Through wholly-owned subsidiaries, Cadence holds:

- 30% interest in 3 Mining Leases, 6 Exploration Licences, and 2 General Purpose Leases;
- 3 Mining Licences Include: M09/159, M09/161, M09/163;
- 6 Exploration Licences Included: E09/1043, E09/1049, E09/1703, E09/1704, E09/1705, E09/1706;
- 2 General Purpose Leases: G09/11, G09/13.

## CADENCE MINERALS PLC

### STRATEGIC REPORT

For the year ended 31 December 2021

#### INVESTMENT REVIEW (CONTINUED)

The tenements in which Cadence holds a 30% interest are in joint-venture with Australian listed Hastings Technology Metals (“Hastings”), and Hastings carries all costs up to the decision to commission a bankable feasibility study.

A definitive feasibility study published in 2017, modelled two production scenarios the second of which had included within it 808,000 tonnes of plant feed from one of our joint venture areas (Yangibana) in year 6. This production target and additional production target from the definitive feasibility study indicates that 11% of the plant feed will come from our joint venture area\*.

The economic model contemplated by Hastings assumes Cadence through its subsidiary will participate in the and mining of the deposits held 70% by Hastings and 30% by Cadence. Assuming there is a development of the mine by the joint venture a new Mining Joint Venture Agreement will need to be agreed and put in place to replace the existing joint venture documentation and regulate the arrangements between the participants for the mine development. No costs or revenue ascribed to 30% interest in the deposits held by Cadence were reported in the financial modelling published by Hastings.

Although Hastings Technology Minerals has progressed the development of the Yangibana Rare Earth project, most of this has been in relation to its wholly owned assets, with the only a change being reassessment of our joint venture mineral resources and reserves occurring in July 2021. There was no material difference in the recalculation of our portion of the resource and reserves; an updated summary can be found on our website here: <https://www.cadenceminerals.com/projects/yangibana-rare-earth-project-2/>.

\* Hastings Technology Metals Limited (2017) *Yangibana Project Definitive Feasibility Study, Executive Summary*. pp 58-60.

**INVESTMENT REVIEW (CONTINUED)**

**PUBLIC EQUITY**

The public equity investment segment includes both active and passive investments as part of our trading portfolio. The trading portfolio consists of investments in listed mining entities that the board believes possess attractive underlying assets. The focus is to invest in mining companies that are significantly undervalued by the market and where there is substantial upside potential through exploration success and/or the development of mining projects for commercial production. Ultimately, the aim is to make capital gains in the short to medium term. Investments are considered individually based on various criteria and are typically traded on the TSX, ASX, AIM or LSE.

During the period, our public equity investments generated an unrealised profit of £0.57 million (2020: £10.24 million) and a realised gain of £0.59 million (2020: £0.07 million). The majority of these profits were derived from the sale of European Metals Holdings shares. The total unrealised gains on our equity portfolio as at the end of 31 December 2021 was £9.27 million.

As of 31 December 2021, our public equity stakes consisted of the following

Company	Business Summary	Year ended 31 Dec 2021 £,000	Year ended 31 Dec 2020 £,000	Cumulative Total Return Since Inception	Active / Passive
European Metals Holding Limited	Lithium mine development	11,287	13,426	461%	Active
Charger Metals NL	Lithium exploration	342	-	22%	Passive
Macarthur Minerals Limited	Iron Ore mine development	181	329	118%	Passive
Eagle Mountain Mining Limited	Copper exploration	122	-	-42%	Passive
Mont Royal Resources Limited	Gold and Copper exploration	35	-	-6%	Passive
Miscellaneous	Various	7	6	-86%	Passive
<b>Total</b>		<b>11,974</b>	<b>13,761</b>		

**PUBLIC EQUITY (ACTIVE)**

**European Metals Holdings Limited (“European Metals”)  
Interest – 8.1% at 31/12/2021 and 31/05/2022**

Cadence has held an investment in European Metals since June 2015. As of year-end, Cadence held 8.1% in European Metals.

European Metals owns 49% of Geomet s.r.o. with 51% owned by CEZ. CEZ is a significant energy group listed on various European Exchanges. Geomet s.r.o. owns 100% of Cinovec which hosts a globally significant hard-rock lithium deposit with a total Indicated Mineral Resource of 372.4Mt at 0.45% Li<sub>2</sub>O and 0.04% Sn and an Inferred Mineral Resource of 323.5Mt at 0.39% Li<sub>2</sub>O and 0.04% Sn containing a combined 7.22 million tonnes Lithium Carbonate Equivalent and 263kt of tin, as reported to ASX on 28 November 2017 (Further Increase in Indicated Resource at Cinovec South).



## **CADENCE MINERALS PLC**

### **STRATEGIC REPORT**

For the year ended 31 December 2021

#### **INVESTMENT REVIEW (CONTINUED)**

An initial Probable Ore Reserve of 34.5Mt at 0.65% Li<sub>2</sub>O and 0.09% Sn reported on 4 July 2017 (Cinovec Maiden Ore Reserve) has been declared to cover the first 20 years' mining at an output of 22,500tpa of battery-grade lithium carbonate reported on 11 July 2018 (Cinovec Production Modelled to Increase to 22,500tpa of Lithium Carbonate).

This makes Cinovec the largest hard-rock lithium deposit in Europe, the fourth largest non-brine deposit in the world and a globally significant tin resource. In June 2019 EMH completed an updated Preliminary Feasibility Study, conducted by specialist independent consultants, which indicated a return post tax NPV of USD1.108B and a post-tax IRR of 28.8%. Subsequent to the year end, in January 2022 EMH updated the 2019 PFS, which indicated a post tax NPV of US\$1.938Bn and a post-tax IRR of 36.3%.

The study confirmed that the Cinovec Project is a potential low operating cost producer of battery grade lithium hydroxide or battery grade lithium carbonate as markets demand. It confirmed the deposit is amenable to bulk underground mining. Metallurgical test-work has produced both battery grade lithium hydroxide and battery grade lithium carbonate in addition to high-grade tin concentrate.

The Definitive Feasibility Study continues, albeit with some minor delays related primarily to Covid-19 and the effect that has had on logistics globally. Whilst the project had no direct Covid-19 related issues at site, moving samples and our people has been problematic at times. We don't anticipate any escalation in this.

Apart from these delays, we have made steady progress of the Cinovec Project with positive developments in the areas of our locked cycle testwork, permitting advancement and Measured Resource drilling programme.

The Project has been significantly de-risked and at the time of this report is moving rapidly towards a final investment decision.

The Project Company appointed SMS group, a German-based world-leading engineering firm, as the lead engineer for the minerals processing and lithium battery-grade chemicals production at Cinovec. This marks the beginning of the formal Front-End Engineering Design study as the major component of the ongoing Definitive Feasibility Study. This detailed engineering contract, along with advances in permitting and offtake discussions, moves us closer to the development of Europe's largest hard rock lithium resource for the benefit of all stakeholders.

## **CADENCE MINERALS PLC**

### **STRATEGIC REPORT**

For the year ended 31 December 2021

#### **FINANCIAL REVIEW**

Total comprehensive income for the year attributable to equity holders was a loss of £0.14m (2020: profit of £7.82m). This decrease in profitability from the previous year of approximately £7.96m is mainly due to the reduced amount of realised and unrealised profits and losses for the year of approximately £1.2m (2020: £10.4m) relating to our share investment portfolio (listed financial investments) held during the period. Administrative expenses were up £0.36m from £1.44m to £1.80m, but foreign exchange gains were up £1.28m from a loss £0.82m to a gain of £0.46m.

Basic negative earnings per share was 0.102p (2020: positive earnings per share of 6.897p).

The net assets of the Group at the end of the period were £22.15 million (2020: £22.09 million). This increase of approximately £0.06m reflects the losses and shares issued in the year.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Cadence continuously monitors its risk exposures and reports its review to the Board. The Board reviews these risks and focuses on ensuring effective systems of internal financial and non-financial controls are in place and maintained.

The main business risk is considered to be investment risk.

The Company faces external risks that can materially impact or influence the investment environment within which the Company operates and can include changes in commodity prices, and the numerous factors which can influence those changes, including economic recession and investor sentiment and including the current and potential effects of the coronavirus pandemic.

Commodity prices have an impact on the investment performance and prospects of all our investments. The extent of the impact varies depending on a wide variety of factors but depend largely by where the investment sits on the mineral development curve. The majority of Cadence's investments sit at the more advanced stage of the development curve. Commodity price risk is pervasive at all stages of the development curve, but other prominent risks such as exploration risk and technical and funding risks at the exploration/development stage, may be considered to be weighted higher earlier in the curve than pure commodity risk which tends to have a greater impact on producers.

The Company's investments are located in jurisdictions other than the UK and therefore carries with it country risk, regulatory/permitting risk, political risk and environmental risk. Our investments can be at different stages of development and each stage within the mining exploration and development cycle can carry its own risks.

Where possible Cadence seeks to mitigate these risks by structuring its investments in a format which the Board can influence, obtain high level oversight (often at board level) and use legal agreements to provide control mechanisms (often negative control) to protect the Company's investments. In addition, we seek to further mitigate our risk exposure by obtaining a deep fundamental understanding of an asset, its potential economics, operating and legal environment and its management team, prior to investment.

It should be noted that because the Company does not operate its project investments on a day-to-day basis, there is a risk that the operator does not meet deadlines or budgets; fails to propose or pursue the appropriate strategy; does not adhere to the legal agreements in place or does not provide accurate or sufficient information to Cadence on a timely basis.

**PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

The Equity Investment segment of the Company's investments is exposed to price risk within the market, interest rate changes, liquidity risk and volatility. Although the investment risk within the portfolio is dependent on many factors, the Group's principal investments at the year-end are in companies with significant iron ore and lithium assets and, to some extent, dependent on the market's view of these commodities or chemicals and/or the market's view of the management of the companies in managing those assets. As with our private investment, the Board seeks to mitigate this by obtaining a deep fundamental understanding of an asset and its potential economics; its operating and legal environment and its management team, prior to any investment by Cadence.

All countries carry political risk that can lead to interruption of activity. Politically stable countries can have enhanced environmental and social risks; risks of strikes and changes to taxation; whereas less developed countries can have, in addition, risks associated with changes to the legal framework; civil unrest and government expropriation of assets. The Company has working knowledge of the countries in which the joint venture holds exploration licences, and its local joint venture partner has experienced local operators to assist the Company in its management of its investment in order to help reduce possible political risk.

## **CADENCE MINERALS PLC**

### **STRATEGIC REPORT**

For the year ended 31 December 2021

#### **DIRECTORS' SECTION 172 STATEMENT**

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006. This new reporting requirement is made in accordance with the new corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018, which apply to company reporting on financial years starting on or after 1 January 2019.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers/customers and others;
- the impact of the Company's operations on the community and environment;
- the Company's reputation for high standards of business conduct; and
- the need to act fairly between members of the Company

As set out above in the Strategic Report the Board remains focused on providing for shareholders through the long term success of the Company. The means by which this is achieved is set out further below.

#### **Likely consequences of any decisions in the long-term;**

The Chairman's Statement, the Chief Executive Officer's Commentary and the Strategic Review set out the Company's strategy. In applying this strategy, particularly in seeking new Project Investments and strategic holdings in other public companies, the Board assesses the long term future of those companies with a view to shareholder return. The approach to general strategy and risk management strategy of the group is set out in the Statement of Compliance with the Quoted Companies Alliance ("QCA") Corporate Governance Code (the "QCA Code") (Principles 1 and 4) on pages 23-24.

#### **Interest of Employees;**

The Group has a very limited number of employees, and all have direct access to the Executive Directors on a daily basis and to the Chairman, if necessary. The Group has a formal Employees' Policy manual which includes process for confidential report and whistleblowing.

#### **Need to foster the Company's business relationships with suppliers/customers and others;**

The nature of the Group's business is such that the majority of its business relationships are with joint venture partners, the boards of directors of the companies in which the Group has strategic stakes to the extent that such relationships are permitted, and with suppliers for services. As the success of the business primarily depends on its relationship with its partners and investees, the Executive Directors manage these relationships on a day-to-day basis. Where possible, the Group will take a board, or similar appointment, in strategic investees to ensure that there is a close and successful ongoing dialog between the parties. Service providers are paid within their payment terms and the Group aims to keep payment periods under 30 days wherever practical.

#### **Impact of the Company's operations on the community and environment;**

The Group takes its responsibility within the community and wider environment seriously. Its approach to its social responsibilities is set out in the Statement of Compliance with the QCA Code (Principle 3) on page 23.

## **CADENCE MINERALS PLC**

### **STRATEGIC REPORT**

For the year ended 31 December 2021

#### **DIRECTORS' SECTION 172 STATEMENT (CONTINUED)**

##### **The desirability of the Company maintaining a reputation for high standards of business conduct;**

The Directors are committed to high standards of business conduct and governance and have adopted the QCA Code which is set out on pages 23 to 30. Where there is a need to seek advice on particular issues, the Board will consult with its lawyers and nominated advisors to ensure that its reputation for good business conduct is maintained.

##### **The need to act fairly between members of the Company;**

The Board's approach to shareholder communication is set out in the Statement of Compliance with the (Principle 2) on page 22. The Company aims to keep shareholders fully informed of significant developments in the Group's progress. Information is disseminated through Stock Exchange announcements, website updates and, where appropriate video/web casts. During the year the Company issued various RNS and videos to update shareholders. All information is made available to all shareholders at the same time and no individual shareholder, or group of shareholders, is given preferential treatment

The Directors present their annual report together with the audited financial statements of the Company for the Year Ended 31 December 2021.

**Principal activity**

The Company is an investment entity. The principal activity of the Company is that of holding assets involved in the identification, investment and development of mineral resources.

**Domicile and principal place of business**

Cadence Minerals plc is domiciled in the United Kingdom, which is also its principal place of business.

**Business review and Future Development**

The results of the Company are shown on page 38.

Results and Dividends The Directors do not recommend the payment of a dividend. A review of the performance of the Company and its future prospects is included in the Strategic Report on pages 1 to 18.

**Key Performance Indicators**

Due to the current status of the Company, the Board has not identified any performance indicators as key other than cash management and the carrying value of investments. Having sufficient cash for business operations is vital and must be managed accordingly. The Directors review and manage the Group's cash flow on a monthly basis. The financial strategy is to ensure that, wherever possible, there are sufficient funds to cover corporate overheads and exploration expenditure for as long a period as possible. Management has confidence that financing of the Company can continue as and when required, albeit the board is keen to avoid excessive dilution and will manage the financing process with that objective in mind. Investments are closely managed and monitored; further details are included in the Chairman's statement.

The monitoring and management of the carrying value of investments are specified on pages 1 to 14.

Furthermore, the Company has ensured that where possible it has built operational flexibility in its corporate and exploration expenditure to be paused should the financing environment prove difficult and cash preservation prove essential

**Principal risks and uncertainties**

The principal risks and uncertainties facing the Company involve are specified on pages 15 to 16.

**Financial risk management objectives and policies**

The Company's principal financial instruments are available for sale assets, trade receivables, trade payables, loans and cash at bank. The main purpose of these financial instruments are to fund the Company's operations.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are liquidity risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. Further information is available in Note 12.

*Liquidity risk*

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and its cash resources. Further details of this are provided in the principal accounting policies, headed 'going concern' and Note 12 to the financial statements.

**CADENCE MINERALS PLC**  
**REPORT OF THE DIRECTORS**  
For the year ended 31 December 2021

*Interest rate risk*

The Company only has borrowings at fixed coupon rates and therefore minimal interest rate risk, as this is deemed its only material exposure thereto. The Company seeks the highest rate of interest receivable on its cash deposits whilst minimising risk.

*Market risk*

The Company is subject to market risk in relation to its investments in listed Companies held as available for sale assets.

*Foreign exchange risk*

The Company operates foreign currency bank accounts to help mitigate the foreign currency risk, and currently has little exposure except through its investments.

**Political Donations and Expenditure**

No charitable or political contributions were made during the current or previous year.

**Directors**

The membership of the Board is set out below. All directors served throughout the period unless otherwise stated.

Andrew Suckling  
Kiran Morzaria  
Donald Strang  
Adrian Fairbourn

**Substantial shareholdings**

Interests in excess of 3% of the issued share capital of the Company which had been notified as at 31 May 2022 were as follows:

	Ordinary shares held Number	Percentage of capital %
HARGREAVES LANSDOWN (NOMINEES) LIMITED Des:15942	19,314,144	11.21%
BARCLAYS DIRECT INVESTING NOMINEES LIMITED Des:CLIENT1	14,081,891	8.18%
INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED Des:SMKTISAS	13,974,489	8.11%
INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED Des:SMKTNOMS	11,126,439	6.46%
HARGREAVES LANSDOWN (NOMINEES) LIMITED Des:VRA	10,215,721	5.93%
HSDL NOMINEES LIMITED Des:MAXI	9,077,830	5.27%
HARGREAVES LANSDOWN (NOMINEES) LIMITED Des:HLNOM	8,806,263	5.11%
LINK MARKET SERVICES TRUSTEES (NOMINEES)LIMITED Des:REMCCN	6,380,000	3.70%
JIM NOMINEES LIMITED Des:JARVIS	5,567,785	3.23%
VIDACOS NOMINEES LIMITED Des:IGUKCLT	5,473,512	3.18%
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED Des:941346	5,443,479	3.16%
HSDL NOMINEES LIMITED	5,409,090	3.14%

**Payment to suppliers**

It is the Company's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and to pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Company does not have a standard or code dealing specifically with the payment of suppliers.

Trade payables at the year end all relate to sundry administrative overheads and disclosure of the number of days purchases represented by year end payables is therefore not meaningful.

**Events after the Reporting Period**

Events after the Reporting Period are outlined in Note 15 to the Financial Statements.

**Going concern**

The Directors have prepared cash flow forecasts for the period ending 30 June 2023 which take account of the current cost and operational structure of the Company, as described further on page 43.

The cost structure of the Company comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

These forecasts demonstrate that the Company has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

In the current business climate, the Board acknowledges the COVID-19 pandemic risk and continues to monitor the need to implement any changes to underpin the Group's resilience to COVID-19, with the key focus being on protecting all personnel, minimising the impact on critical workstreams and ensuring business continuity.



## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with UK adopted International Accounting Standards (IAS). 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 and profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

In so far as each of the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Auditors**

PKF Littlejohn LLP offer themselves for re-appointment as auditor in accordance with Section 489 of the Companies Act 2006.

ON BEHALF OF THE BOARD

**Kiran Morzaria**  
Chief Executive Officer, 21 June 2022

## **Introduction to Governance**

The Directors recognise that good corporate governance is a key foundation for the long-term success of the Company. As the Company is listed on the AIM market of the London Stock Exchange and is subject to the continuing requirements of the AIM Rules. The Board has therefore adopted the principles set out in the Corporate Governance Code for small and mid-sized companies published by the Quoted Companies Alliance (“QCA Code”). The principles are listed below.

While building a strong governance framework, we also try to ensure that we take a proportionate approach and that our processes remain fit for purpose as well as embedded within the culture of our organisation. We continue to evolve our approach and make ongoing improvements as part of building a successful and sustainable company.

### **1. Establish a strategy and business model which promote long-term value for shareholders**

Our strategy is to identify undervalued assets with irreplaceable strategic advantages that will deliver capital growth to our shareholders. We invest in these assets and where required help deliver capital growth. To meet long-term demand, we believe the metals and mining sectors require focused investment capital from knowledgeable investors that understand the substantial risk of the mineral resource sector and how to mitigate these risks to maximise potential returns for our investors.

A more detailed description of its Strategy and Business Model is available on page 1. Details on the principal risks and uncertainties which the Company faces are specified on pages 15 to 16. The Company seeks to share this vision and details of the implementation of its strategy through internal dialogue with employees as well as external communications by way of public announcements and dissemination of information through this website and the annual report and accounts

### **2. Seek to understand and meet shareholder needs and expectations**

The Board is committed to maintaining an open dialogue with shareholders. Communication with the Board is committed to maintaining an open dialogue with shareholders. Communication with shareholders is coordinated by the CEO. Cadence encourages two-way communication with institutional and private investors. The Company’s major shareholders maintain an active dialogue and ensure that their views are communicated fully to the Board. Where voting decisions are not in line with the Company’s expectations the Board will engage with those shareholders to understand and address any issues. The Company Secretary is the main point of contact for such matters.

The Company seeks out appropriate platforms to communicate to a broad audience its current activities, strategic goals and broad view of the sector and other related issues. This includes but is not limited to media interviews, website videos in -person investor presentations and written content. Communication to all stakeholders is the direct responsibility of the Senior Management team. Managers work directly with professionals to ensure all inquiries (through established channels for this specific purpose such as email or phone) are addressed in a timely matter. Managers also ensure that the Company communicates with clarity on its proprietary internet platforms. The Board routinely reviews the Company communication policy and programmes to ensure the quality communication with all stakeholders.

The Board believes that the Annual Report and Accounts, and the Interim Report published at the half-year which can be found on the Company’s website, play an important part in presenting all shareholders with an assessment of the Company’s position and prospects. All reports and press releases are published under the “Investors” tab of the Company’s website.

**3. Take into account wider stakeholder and social responsibilities and their implications for long-term success**

The Board recognises its prime responsibility under UK corporate law is to promote the success of the Company for the benefit of its members as a whole. The Board also understands that it has a responsibility towards employees, partners, customers, suppliers and to the community and environment it operates in as a whole.

Communication with and feedback from these various groups is achieved in a variety of ways. The Executive Directors hold investor roadshows and webcasts on a regular basis, at which feedback from shareholders is sought. Regular dialogue is maintained with employees through regular discussion and updates given by the Executive Directors.

The nature of the Cadence's business as an investment company means that although it has no direct effect on the working environments and communities of the companies it invests in, it nonetheless liaises with the management of its investee companies to understand their approach to stakeholder engagement and their policies, which will form part of its investment criteria.

**4. Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board has an established Audit Committee, a summary of its roles and responsibilities is available on the corporate governance webpage. The Committee is specifically charged with ensuring that Cadence as a whole has the appropriate policies and processes in place to identify the risks which the Company is exposed to and to proactively mitigate those risks as appropriate.

The Company maintains a register of risks and publishes an overview of significant risks and uncertainties in its Annual Report. Please refer to the Company's Annual Report and Accounts for further details on the principal risks and uncertainties which the Company faces.

The Company receives regular feedback from its external auditors on the state of its internal controls. The Board maintains a register of risks and publishes an annual summary of the significant risks and uncertainties in the Annual Report.

**5. Maintain the Board as a well-functioning, balanced team led by the chair**

The Board is comprised of Andrew Suckling the Non-Executive Chairman, a Non-Executive Director and two Executive Directors. The CEO, Kiran Morzaria, is engaged to work a minimum of a 27-hour week and is an employee of the Company. The Finance Director, Donald Strang, is engaged to work a minimum of a 27-hour week.

The Board deemed that given the stage and development of the Company, it would be more cost efficient to employ a full-time accountant which along with the finance director ensure that Company's financial systems are robust, compliant, and support current activities and future growth.

The service agreements of the Non-Executive Directors anticipate that the Non-Executive Chairman should spend 5 working days per month and the Non-Executive Director 3 working days per month. All Directors dedicate such time as required to effectively perform their roles.

The roles of the Chairman and CEO are clearly separated. The Directors ensure the skills required to undertake their roles are kept current through training and consultation with subject matter experts as required.

**5. Maintain the board as a well-functioning, balanced team led by the chair (continued)**

The CEO is responsible for the operational management of the business of Cadence and for the implementation of strategy and policies as agreed by the Board. The non-executive Chairman is responsible for the leadership and effective working of the Board, for setting the Board agenda, and ensuring that Directors receive accurate, timely and clear information.

The CEO is responsible for the operational management of the business of Cadence and for the implementation of strategy and policies as agreed by the Board. The Non-Executive Chairman is responsible for the leadership and effective working of the Board, for setting the Board agenda, and ensuring that Directors receive accurate, timely and clear information.

The Non-Executive Directors are not considered independent under the FRC Code as they hold options in the Company. However, the Board considers that the Non-Executive Directors are independent of management under all other measures and are able to exercise independence of judgement. Whilst conflicts of interest are fully disclosed and understood, as appropriate Non-Executive Directors exercise independence of judgement. No Director is involved in discussions or decisions where he has a conflict of interest. An Audit Committee and a Remuneration Committee support the Board.

Cadence intends that the Board endeavours to hold full board meetings at least 3 times each year. The attendance of Board members for meetings during the current financial year is as follows:

Andrew Suckling	3 of 5
Adrian Fairbourn	3 of 5
Kiran Morzaria	5 of 5
Donald Strang	5 of 5

**6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**

Directors who have been appointed to the Company have been chosen because of the skills and experience they offer. The Board continually strives to ensure that it has the right balance of knowledge, skills, experience and contacts across the sectors in which it operates. This is evaluated in line with Cadence's business model as it changes.

It is of primary importance that the Board's knowledge is kept up to date in a rapidly changing mining and metals marketplace. This is achieved by maintaining a broad network of contacts across the industry and ensuring regular dialogue is held and feedback obtained by both the executive and non-executive directors as appropriate.

As necessary, Directors receive externally provided refresher and update training specific to their individual roles.

The Company Secretary advises the Board members on their legal and corporate responsibilities and matters of corporate governance.

Biographical details of each of the Directors are given on page 27 and the website.

**7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

On 28 September 2018, the Company adopted the QCA Code. Prior to this point, given the nature and the development of the Company, it did not set Key Performance Indicators.

The Company now measures its performance, and therefore inherently the performance of the Board as a unit, against Key Performance Indicators. Due to the current status of the Company, the Board has not identified any performance indicators as key other than cash management and the carrying value of investments.

The performance of the Executive Directors is monitored and regularly reviewed by the Non-Executive Directors. Such review considers both the KPIs outlined above, The Board intends to introduce qualitative performance measurements for the Executive Directors to ensure that the right degree of focus is applied to the strategic direction as well as the current financial performance of the business.

**8. Promote a corporate culture that is based on ethical values and behaviours**

The Company has a strong ethical culture, which is promoted by the actions of the Board and Executive team. These include the following key policies which govern its ethical culture.

- Equal opportunities policy
- Code of conduct
- Whistleblowing policy
- Health and safety policy
- Email and internet policy
- Social media policy

The Company has an anti-bribery policy and has implemented adequate procedures described by the Bribery Act 2010. The Company reports on its compliance to the Board on an annual basis. The Company has undertaken a review of its requirements under the General Data Protection Regulation, implementing appropriate policies, procedures and training to ensure it is compliant.

**9. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Company encourages two-way communication with both its institutional and private investors and responds quickly to all significant queries received. The “Investors” tab of our website contains all required regulatory information together with other information which shareholders may find useful.

The AGM is an important forum for shareholder engagement, and the directors are always available immediately after the AGM to listen to the views of any shareholders in attendance and to provide them with an update on the business.

**10. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**

Details of the Company's corporate governance arrangements are provided within this Corporate Governance section of the Annual Report and Accounts. The Board considers the appropriateness of these arrangements against the size and complexity of the Company as it evolves over time.

The Chairman leads the Board and is responsible for ensuring its effectiveness in all aspects of its role. The Chairman promotes a culture of openness and debate, in particular by ensuring the Non-Executive Directors provide constructive challenge to the Executive Directors.

The matters reserved for the board are:

- Definition of the strategic goals for the Company, sets corporate objectives to enable the goals to be met, and measures performance against those objectives;
- Ensuring that the necessary financial and human resources are in place to both meet its obligations to all stakeholders and to provide a platform for profitable growth;
- Recommending any interim and final dividends;
- Approving all mergers and acquisitions and all capital expenditure greater than £200,000;
- Receiving recommendations from the Audit Committee in relation to the reporting requirements and the appropriate accounting policies for the Company, the appointment of auditors and their remuneration, and the identification and management of risk;
- Receives recommendations from the Appointments Committee concerning the appointment of executive directors, and from the Remuneration Committee concerning the remuneration of the executive directors;
- Determination of the fees paid to the Non-Executive Directors.

The CEO has the overall responsibility for creating, planning, implementing, and integrating the strategic direction of the Company. This includes responsibility for all components and departments of a business. The CEO also ensures that the organisation's leadership maintains constant awareness of both the external and internal competitive landscape, opportunities for expansion, customer base, markets, new industry developments and standards.

The Finance Director works alongside the CEO and has overall control and responsibility for all financial aspects of company strategy. The Finance Director takes overall responsibility of the Company's accounting function and ensures that Company's financial systems are robust, compliant and support current activities and future growth. The Finance Director will co-ordinate corporate finance and manage company policies regarding capital requirements, debt, taxation, equity and acquisitions as appropriate.

The Board is supported by two committees being the Audit Committee and Remuneration Committee. The Audit Committee advises the Board on the reporting requirements and the appropriate accounting policies for the Company, the appointment of auditors and their remuneration, and the identification and management of risk. The Remuneration Committee advises the Board on all matters pertaining to the remuneration of the Executive Directors.

## **BOARD MEMBERS**

The Board comprises of a Non-Executive Chairman, one Non-Executive Director and two Executive Directors.

### **Andrew Suckling, Non-Executive Chairman**

Andrew has over 25 years' experience in the commodity industry. He began in 1994 as a trader on the London Metal Exchange and subsequently became a founding partner, research analyst and trader with the multi-billion fund management group Ospraie. Andrew is a graduate of Brasenose College, Oxford University, earning a BA (Hons) in Modern History in 1993 and an MA in Modern History in 2000. Andrew is the chair of the Audit and Remuneration Committee.

### **Kiran Morzaria, Chief Executive Officer**

Kiran holds a B.Eng. from the Camborne School of Mines and an MBA (Finance). He has over 20 years' experience in the mineral resource industry, working in both operational and management roles. The first four years of his career were spent in exploration, mining and civil engineering, after which he was involved in the acquisition, recommissioning and eventual sale of the Vatukoula Gold Mine.

### **Donald Strang, Finance Director**

Donald is a member of the Australian Institute of Chartered Accountants and has over 20 years of experience in both publicly listed and private enterprises in Australia, Europe and Africa. He has considerable corporate and international expertise, and over the past decade, has focused on mining and exploration activities.

### **Adrian Fairbourn, Non-Executive Director**

Adrian began his career as an investment analyst before moving to build and manage the highly successful alternative fund-of-funds operation at the Bank of Bermuda. Adrian has co-managed a multi-family office in London, responsible for hedge fund investments, direct investments and also asset-raising for co-investment opportunities. He has successfully assisted in over \$US1 billion of structuring, capital and fundraising projects for private companies and alternative funds. Adrian is a member of the Audit and Remuneration Committee.

The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day-to-day management is devolved to the Executive Directors, who are charged with consulting the Board on all significant financial and operational matters. The Board retains ultimate accountability for governance and is responsible for monitoring the activities of the executive team.

The roles of Chairman and Chief Executive Officer are split in accordance with best practice. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. The Chairman is responsible for the leadership and effective working of the Board, for setting the Board agenda, and ensuring that Directors receive accurate, timely and clear information. No one individual has unfettered powers of decision.

The two Executive Directors are comprised of a Chief Executive Officer ("CEO") and Finance Director. The CEO has the overall responsibility for creating, planning, implementing, and integrating the strategic direction of the Company. This includes responsibility for all components and departments of a business. The CEO also ensures that the organisation's leadership maintains constant awareness of both the external and internal competitive landscape, opportunities for expansion, customer base, markets, new industry developments and standards.

The non-executive directors are not considered independent under the Financial Reporting Council's Corporate Governance Code (April 2016) ("FRC Code") as they both have options in the Company. However, the Board considers that both non-executives are independent of management under all other measures and able to exercise independence of judgement.

### ***The Committees***

#### ***Audit Committee***

The Audit Committee consists of two non-executive members of the board and meet at least once a year.

The principal duties and responsibilities of the Audit Committee include:

- Overseeing the Company's financial reporting disclosure process; this includes the choice of appropriate accounting policies
- Monitor the Company's internal financial controls and assess their adequacy
- Review key estimates, judgements and assumptions applied by management in preparing published financial statements
- Assess annually the auditor's independence and objectivity
- Make recommendations in relation to the appointment, re-appointment and removal of the company's external auditor

#### ***Remuneration Committee***

The Remuneration Committee consists of two non-executive members of the board and meet at least once a year.

The principal duties and responsibilities of the Remuneration Committee include:

- Setting the remuneration policy for all Executive Directors
- Recommending and monitoring the level and structure of remuneration for senior management
- Approving the design of, and determining targets for, performance related pay schemes operated by the company and approve the total annual payments made under such schemes
- Reviewing the design of all share incentive plans for approval by the Board and shareholders



- None of the Committee members have any personal financial interest (other than as shareholders and option holders), conflicts of interest arising from cross-directorships or day-to-day involvement in the running of the business. No director plays a part in any financial decision about his or her own remuneration.

### ***Principle and Approach of the Board***

Cadence is committed to achieve and maintain high standards of governance. As such, the Board has chosen to adopt the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies 2018 (“the QCA Code”). Detailed below is how the Board applies the 10 principles of Corporate Governance, which form part of the QCA code.

### **Internal Controls**

The Directors acknowledge their responsibility for the Company’s systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. While they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

### **Risk Management**

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by Senior Management to forecasts. Project milestones and timelines are reviewed regularly.

### **Business Risk**

The Board regularly evaluates and reviews any business risks when reviewing project timelines. The types of risks reviewed include:

- regulatory and compliance obligations
- environmental requirements
- commodity price, interest rate, liquidity and volatility risks
- political and country risks where appropriate.

### **Insurance**

The Company maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company.

### **Treasury Policy**

The Company finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Company. Decisions regarding the management of these assets are approved by the Board.

### **Securities Trading**

The Board has adopted a Share Dealing Code that applies to Directors, Senior Management and any employee who is in possession of ‘inside information’. All such persons are prohibited from trading in the Company’s securities if they are in possession of ‘inside information’. Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the individual has received the appropriate prescribed clearance.

On behalf of the Board, I am pleased to present the Directors' Remuneration Report summarising the Company's remuneration policy and providing information on the Company's remuneration approach and arrangements for Executive Directors, Non-Executive Directors and Senior Executive Management for the year ended 31 December 2021.

This report is prepared in accordance with the QCA Remuneration Committee Guide for small and mid-sized quoted companies, revised in 2020. A summary of the Remuneration Committee's role, membership and relevant qualifications can be found in the corporate governance section

Remuneration Committee meetings are held at least once a year with the primary focus of setting goals for the coming period and then assessing results at the end of that period. During the year, the Remuneration Committee met 2 times and;

- Benchmarked the Boards Remuneration, both fixed and variable and as a whole, and compared it to AIM-listed companies of a similar market capitalisation.
- Reviewed the above comparisons and establish short, medium and long-term incentive schemes, which it then recommended to the Board for approval,
- Reviewed the performance of the Board against targets and awarded incentives covering the reporting period.

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders. The Company operates within a competitive environment; performance depends on the individual contributions of the Directors and employees, and it believes in rewarding vision and innovation.

#### **Policy on executive Directors' remuneration**

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Company's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this but to avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Company's objectives.

#### ***Salary and Fees***

Benchmarking data indicates that at the time of the review, for Salary and Fees, Cadence is slightly above the median remuneration for an exploration and mining company between a £25 million and £50 million market capitalisation on the AIM market. During this review, the Remuneration Committee recommended an increase in the salaries of the chief executive officer, finance director and non-executive chairman.

#### ***Bonuses***

During the review by the Remuneration Committee and the benchmarking exercise, and to ensure that Cadence has a sufficient variable component as part of its remuneration policy, the Remuneration Committee recommended a short term incentive based on specific operational achievements of the Company's investments which would deliver shareholder value in the long run. This achievement was met during the period, and the bonuses were recommended for approval and payment during the period.

The bonuses paid in the years ended 31 December 2021 and 2020 are shown below.

#### ***Share Awards (Share Incentive Plan)***

In 2020 to incentive the Board on a medium-term basis, the Remuneration Committee recommended under the share incentive plan established in September 2014, to conditionally grant 240,000 Ordinary Shares to each of the directors. These share awards were conditional on meeting performance conditions during the

**CADENCE MINERALS PLC**  
**REPORT ON REMUNERATION**  
For the year ended 31 December 2021

award period ("2021 SIP Awards"). 2021 SIP Awards would be transferred from the Employee Benefit Trust ("EBT"), with no New Ordinary Shares being issued to satisfy the 2021 SIP Awards.

The 2021 SIP Awards were subject to the board achieving performance conditions which were in line with market practice. One of the conditions was met in 2022 entitling each director to be awarded 80,000 shares from EBT. With this award two of the three performance conditions were met during the period and no further awards will be made in relation 2021 SIP Awards. The award of these shares will be expensed in 2022.

***Pensions***

The Company only operates a basic pension scheme for its directors and employees as required by UK legislation. The Company made the following pension contributions in the year: K Morzaria £1,832 (2020: £1,424) and D Strang £1,832 (2019: £219).

***Benefits in kind***

No benefits in kind were paid during the year to 31 December 2021 or the year ended 31 December 2020.

***Notice periods***

Andrew Suckling, Kiran Morzaria, Donald Strang and Adrian Fairbourn each have a 12 month rolling notice period.

***Share option incentives***

At 31 December 2021 each Director held 1,800,000 options which are exercisable at any time before 30 April 2026. The exercise price is 29p (31 December 2020: None). No options were exercised by Directors during the period (2020: None).

The remuneration of the Directors was as follows:

	<b>A Fairbourn</b>	<b>A Suckling</b>	<b>K Morzaria</b>	<b>D Strang</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Year to 31 December 2021</b>					
Salary and fees	48,000	112,000	140,000	112,000	412,000
Bonus	100,000	100,000	150,000	100,000	450,000
Share option charges (2)	49,311	49,311	49,311	49,311	197,244
Total	<b>228,799</b>	<b>292,799</b>	<b>398,722</b>	<b>320,722</b>	<b>1,241,022</b>
<b>Year to 31 December 2020</b>					
Salary and fees	48,000	99,333	120,000	116,000	383,333
Bonus	30,000	30,000	60,000	60,000	180,000
Cost of shares awarded (1)	9,600	9,600	18,113	18,113	55,426
Total	<b>87,600</b>	<b>138,933</b>	<b>198,113</b>	<b>194,113</b>	<b>618,759</b>

**CADENCE MINERALS PLC**  
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- (1) The cost of shares awarded represents the value of the shares awarded to the Directors for milestones reached.
- (2) Share option charges represent a Black and Scholes valuation of the incentive options granted to the Directors during 2021. Options are used to incentivise Directors and are a non-cash form of remuneration.

At 31 December 2021 the following amounts were outstanding in bonuses to directors; £450,000 (2020: £Nil).

The high and low share price for the year were 31.1p and 14.5p respectively (year ended 31 December 2020: 16.5p and 3p). The share price at 31 December 2021 was 28.0p (31 December 2020: 14.5p).

**Andrew Suckling**  
**Non-Executive Chairman, 21 June 2022**

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADENCE MINERALS PLC

## Opinion

We have audited the financial statements of Cadence Minerals Plc (the 'company') for the year ended 31 December 2021 which comprises: the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity, Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of the company's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included a review of budgets for 12 months from the sign off date including checking the mathematical accuracy of the budgets and discussion of significant assumptions used by the management and comparing these with current year and post year end performance. We have also reviewed the latest available post year general ledgers, bank statements, regulatory announcements, board minutes and assessed any external industry wide factors which might affect the company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. The materiality applied to the financial statements was set at £329,000 (2020: £330,000), with performance materiality set at £230,270 (2020: £231,000).

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADENCE MINERALS PLC

Materiality has been calculated as 1.5% of the benchmark of net assets, which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to members of the company in assessing financial performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £16,450 (2020: £16,500).

We applied the concept of materiality both in planning and performing the audit, and in evaluating the effect of misstatements.

### Our approach to the audit

In designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. We addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represents a risk of material misstatement due to fraud. In particular we looked at areas involving significant accounting estimates and judgements by the directors and considered future events that are inherently uncertain, such as the fair value of unquoted investments and the value of the share options scheme.

In addition, we focused our audit on the significant risk areas including the Key Audit Matter as outlined below.

A full scope audit was performed on the complete financial information of the company.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
<b>Carrying value of Financial Assets (Refer to note 6)</b>	
<b>The company holds investments with a value of £17.6m as at 31 December 2021. These are valued in accordance with IFRS 13 and the fair value hierarchy; and classified as per IFRS 9.</b>  <b>There is the risk that these investments have not been valued in accordance with IFRS 13 and IFRS 9 and require impairment.</b>	Our audit work included: <ul style="list-style-type: none"><li>• Reviewing and challenging the valuation methodology for the investments held and ensuring that the carrying values are supported by sufficient and appropriate audit evidence;</li><li>• Ensuring that all asset types are categorised according to IFRS, including the accounting disclosures as required under IFRS 9;</li><li>• Reviewing the movement in investments to ensure they are accounted for and disclosed correctly in line with IFRS 9;</li><li>• Ensuring that Cadence Minerals Plc has full title to the investments held;</li><li>• Ensuring that appropriate disclosures surrounding the estimates made in respect of</li></ul>

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADENCE MINERALS PLC

	<p>any valuations are included in the financial statements; and</p> <ul style="list-style-type: none"> <li>• Considering whether the transactions have been accounted for correctly within the financial statements.</li> </ul> <p><i>Based on the work performed, we are satisfied that the carrying value of the financial assets is materially correct and adequately disclosed</i></p>
<p><b>Carrying value and classification of loans receivable (refer to note 7)</b></p>	
<p><b>There is a risk that the loan amounts are not recoverable given that no repayments were made by the debtors for the loans outstanding and in addition to the existing loans another loan was extended.</b></p> <p><b>There is also a risk that the loans have not been accounted for in accordance with IFRS 9.</b></p>	<p>Our audit included:</p> <ul style="list-style-type: none"> <li>• Obtaining and reviewing the loan agreements to ascertain the key terms of the loan agreements;</li> <li>• Ensuring that the loans have been classified and disclosed correctly in accordance with IFRS 9;</li> <li>• Discussing with Management to ascertain their justification for no IFRS 9 ECL charge being recognised in the year. Challenge management's key assumptions and consider whether the loans are fully recoverable or whether an IFRS 9 ECL charge is required; and</li> <li>• Ensuring that the loans are correctly classified as current or non-current in accordance with the payment terms per the loan agreements.</li> </ul> <p><i>Based on the work performed, we are satisfied that the carrying value and classification of loan receivable is materially correct.</i></p>

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADENCE MINERALS PLC

We have nothing to report in this regard.

### **Opinions on other matters 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

### **Responsibilities of directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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:

- We obtained an understanding of the company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CADENCE MINERALS PLC

We obtained our understanding in this regard through discussions with management and application of cumulative audit knowledge and experience of the sector.

- We determined the principal laws and regulations relevant to the company in this regard to be those arising from Companies Act 2006, AIM listing rules, GDPR, QCA compliance, International Financial Reporting Standards (in compliance with the Companies Act 2006) and tax legislation within the United Kingdom.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
  - Review of minutes
  - Review of legal and professional expenditure
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was in the valuation of investments. We addressed the risk by challenging the assumptions and judgements made by management when auditing that significant accounting estimate.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Zahir Khaki (Senior Statutory Auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**  
*21 June 2022*

15 Westferry Circus  
Canary Wharf  
London E14 4HD

**CADENCE MINERALS PLC**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2021

	<i>Note</i>	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
<b>Income</b>			
Unrealised profit on financial investments	6	577	10,252
Realised profit on financial investments	6	593	65
Other income	1	-	54
		<u>1,170</u>	<u>10,371</u>
Share based payments		(197)	(57)
Other administrative expenses		(1,604)	(1,379)
Total administrative expenses		<u>(1,801)</u>	<u>(1,436)</u>
<b>Operating (loss)/profit</b>	1	<b>(631)</b>	8,935
Finance income		35	6
Finance cost	3	(3)	(298)
Foreign exchange gain/(loss)		455	(820)
<b>(Loss)/profit before taxation</b>		<u>(144)</u>	<u>7,823</u>
Taxation	4	-	-
<b>(Loss)/profit attributable to the equity holders of the Company</b>		<u>(144)</u>	<u>7,823</u>
<b>Total comprehensive earnings for the year, attributable to the equity holders of the company</b>		<u>(144)</u>	<u>7,823</u>
<b>Earnings per ordinary share</b>			
Basic earnings per share (pence)	5	<u>(0.102)</u>	<u>6.897</u>
Diluted earnings per share (pence)	5	<u>n/a</u>	<u>6.795</u>

The accompanying principal accounting policies and notes form an integral part of these financial statements.

**CADENCE MINERALS PLC**  
COMPANY NUMBER 05234262  
Statement of Financial Position  
As at 31 December 2021

		31 December 2021	31 December 2020
<b>ASSETS</b>	<i>Note</i>	<b>£'000</b>	<b>£'000</b>
<b>Non-current</b>			
Financial Assets	6	<u>5,660</u>	<u>2,885</u>
		<u>5,660</u>	<u>2,885</u>
<b>Current</b>			
Trade and other receivables	7	5,048	5,365
Financial Assets	6	11,974	13,761
Cash and cash equivalents		<u>324</u>	<u>596</u>
<b>Total current assets</b>		<u>17,346</u>	<u>19,722</u>
<b>Total assets</b>		<u>23,006</u>	<u>22,607</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	8	853	295
Borrowings	9	<u>-</u>	<u>219</u>
<b>Total current liabilities</b>		<u>853</u>	<u>514</u>
<b>Total liabilities</b>		<u>853</u>	<u>514</u>
<b>EQUITY</b>			
Issued share capital	10	1,903	1,896
Share premium	10	33,207	33,159
Share based payment reserve		249	39
Investment in own shares		(70)	-
Retained earnings		<u>(13,136)</u>	<u>(13,001)</u>
<b>Equity attributable to equity holders of the Company</b>		<u>22,153</u>	<u>22,093</u>
<b>Total equity and liabilities</b>		<u>23,006</u>	<u>22,607</u>

The financial statements were approved by the Board on 21 June 2022, and signed on their behalf by;

Kiran Morzaria  
Director

Donald Strang  
Director

Company number 05234262

The accompanying principal accounting policies and notes form an integral part of these financial statements.

**CADENCE MINERALS PLC**  
**STATEMENT OF CHANGES IN EQUITY**  
As at 31 December 2021

	Share capital	Share premium	Investment in own shares	Share based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 December 2019</b>	1,471	30,357	-	1,383	(22,225)	10,986
Share based payments	-	-	-	57	-	57
Transfer on lapse of warrants	-	-	-	(1,369)	1,369	-
Transfer on exercise of warrants	-	-	-	(32)	32	-
Share issue	425	2,993	-	-	-	3,418
Share issue costs	-	(191)	-	-	-	(191)
<b>Transactions with owners</b>	425	2,802	-	(1,344)	1,401	3,284
Profit for the period	-	-	-	-	7,823	7,823
<b>Total comprehensive earnings for the period</b>	-	-	-	-	7,823	7,823
<b>Balance at 31 December 2020</b>	<b>1,896</b>	<b>33,159</b>	-	<b>39</b>	<b>(13,001)</b>	<b>22,093</b>
Share based payments	-	-	-	197	-	197
Payments made through issue of warrants	-	-	-	22	-	22
Transfer on exercise of options	-	-	-	(9)	9	-
Adjustment for shares held in Trust	-	-	(70)	-	-	(70)
Share issue	7	50	-	-	-	57
Share issue costs	-	(2)	-	-	-	(2)
<b>Transactions with owners</b>	7	48	(70)	210	9	204
Loss for the period	-	-	-	-	(144)	(144)
<b>Total comprehensive earnings for the period</b>	-	-	-	-	(144)	(144)
<b>Balance at 31 December 2021</b>	<b>1,903</b>	<b>33,207</b>	<b>(70)</b>	<b>249</b>	<b>(13,136)</b>	<b>22,153</b>

The accompanying principal accounting policies and notes form an integral part of these financial statements.

**CADENCE MINERALS PLC**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2021

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
<b>Cash flow from operating activities</b>		
<b>Continuing operations</b>		
Operating (loss)/profit	(631)	8,935
Gain on financial investments	(1,170)	(10,317)
Equity settled share based payments	197	57
Adjustment for issue of own shares	(70)	-
Payments made through issue of warrants	22	-
Decrease in trade and other receivables	346	32
Increase/(decrease) in trade and other payables	555	(68)
<b>Net cash outflow from operating activities from continuing operations</b>	<b>(751)</b>	<b>(1,361)</b>
<b>Cash flows from investing activities</b>		
Payments for non-current financial investments	(2,775)	(645)
Payments for investments in current financial investments	(830)	(50)
Receipts on sale of current investments	3,787	2,052
<b>Net cash inflow from investing activities</b>	<b>182</b>	<b>1,357</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	57	2,723
Share issue costs	(2)	(191)
Net borrowings	(220)	(2,120)
Net finance income/(cost)	(3)	(292)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(168)</b>	<b>120</b>
<b>Net change in cash and cash equivalents</b>	<b>(737)</b>	<b>116</b>
Foreign exchange movements on cash and cash equivalents	465	(1)
Cash and cash equivalents at beginning of period	596	481
<b>Cash and cash equivalents at end of period</b>	<b>324</b>	<b>596</b>

There were no material non-cash transactions in the year.

The accompanying principal accounting policies and notes form an integral part of these financial statements.

**CADENCE MINERALS PLC**  
**PRINCIPAL ACCOUNTING POLICIES**  
**For the year ended 31 December 2021**

**GENERAL INFORMATION**

Cadence Minerals plc is a company incorporated and domiciled in the United Kingdom. The Company's shares are listed on the AIM market of the London Stock Exchange, and on the AQUIS Growth Market as operated by AQUIS Stock Exchange ("AQUIS").

The Financial Statements are for the year ended 31 December 2021 and have been prepared under the historical cost convention and in accordance with UK adopted International Accounting Standards (IAS). These Financial Statements (the "Financial Statements") have been prepared and approved by the Directors on 21 June 2022 and signed on their behalf by Donald Strang and Kiran Morzaria.

Employee Benefit Trusts ("EBTs") are accounted for under IFRS 10 and are consolidated on the basis that the parent has control, thus the assets and liabilities of the EBT are included on the Company balance sheet and shares held by the EBT in the Company are presented as a deduction from equity. Although shares were issued to the EBT in prior years, the prior year accounts have not been re-stated for the adjustment as it is not considered to be material.

The accounting policies have been applied consistently throughout the preparation of these Financial Statements, and the financial report is presented in Pound Sterling (£) and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

**INVESTING POLICY**

The Company is an investment entity. The Company's investing policy, which was approved at a General Meeting on 29 November 2010, is to acquire a diverse portfolio of direct and indirect interests in exploration and producing rare earth minerals and/or other metals projects and assets ('Investing Policy'). In light of the nature of the assets and projects that will be the focus of the Investing Policy, the Company will consider investment opportunities anywhere in the world.

The Directors have considerable investment experience, both in structuring and executing deals and in raising funds. Further details of the Directors' expertise are set out on the Company website. The Directors will use this experience to identify and investigate investment opportunities, and to negotiate acquisitions. Wherever necessary, the Company will engage suitably qualified technical personnel to carry out specialist due diligence prior to making an acquisition or an investment. For the acquisitions that they expect the Company to make, the Directors may adopt earn-out structures with specific performance targets being set for the sellers of the businesses acquired and with suitable metrics applied.

The Company may invest by way of outright acquisition or by the acquisition of assets – including the intellectual property – of a relevant business, partnership or joint venture arrangement. Such investments may result in the Company acquiring the whole or part of a company or project (which, in the case of an investment in a company, may be private or listed on a stock exchange, and which may be pre-revenue), and such investments may constitute a minority stake in the company or project in question. The Company's investments may take the form of equity, joint venture, debt, convertible documents, licence rights, or other financial instruments such as the Directors deem appropriate.

The Company may be both an active and a passive investor depending on the nature of the individual investments in its portfolio. Although the Company intends to be a long-term investor, the Directors will place no minimum or maximum limit on the length of time that any investment may be held.

**CADENCE MINERALS PLC**  
PRINCIPAL ACCOUNTING POLICIES  
**For the year ended 31 December 2021**

There is no limit on the number of projects into which the Company may invest, or on the proportion of the Company's gross assets that any investment may represent at any time, and the Company will consider possible opportunities anywhere in the world.

The Directors may offer new ordinary shares in the capital of the Company by way of consideration as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including, by way of example and without limit, delays in collecting accounts receivable, unexpected changes in the economic environment and unforeseen operational problems. The Company may, in appropriate circumstances, issue debt securities or otherwise borrow money to complete an investment. There are no borrowing limits in the Articles of Association of the Company. The Directors do not intend to acquire any cross-holdings in other corporate entities that have an interest in the ordinary shares.

**GOING CONCERN**

The Directors have prepared cash flow forecasts for the period ending 30 June 2023 which take account of the current cost and operational structure of the Company.

The cost structure of the Company comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

During 2021, the Company received net proceeds of £55,000 through share issues and £2,957,000 in net receipts, from sales less purchases, of listed investments, and repaid all remaining loans. Since the year end the Company has raised gross proceeds of £4,845,000 through share issues and invested USD \$3,500,000 in The Amapa Iron Ore Project.

These forecasts demonstrate that the Company has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

It is the prime responsibility of the Board to ensure the Company remains a going concern. At 31 December 2021 the Company had cash and cash equivalents of £324,000, current financial assets of £11,974,000 and no borrowings. The Company has minimal contractual expenditure commitments, and the Board considers the present funds sufficient to maintain the working capital of the Company for a period of at least 12 months from the date of signing the Annual Report and Financial Statements. With overheads of £1,154,000 in 2021 excluding Director's bonuses, and creditors of £853,000 at 31 December 2021 the Company would still be able to meet its obligations, without the requirement to cut costs, should the value of the current listed financial assets be reduced by 80%. For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements.

**STATEMENT OF COMPLIANCE WITH IAS**

The Company's financial statements have been prepared under the historical cost convention except for the measurement to fair value of financial assets as described in the accounting policy below, and the financial statements have been prepared in accordance with UK adopted International Accounting Standards (IAS) in conformity with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Company are set out below.

## **TAXATION**

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

## **FINANCIAL ASSETS**

The Company's financial assets include cash, other receivables and financial assets. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 9, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.



## **FINANCIAL ASSETS (CONTINUED)**

### Subsequent measurement of financial assets

#### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

#### *Financial assets at fair value through profit or loss (FVTPL)*

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements would apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

#### *Impairment of financial assets*

The Company considers trade and other receivables individually in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

## **FAIR VALUE MEASUREMENT**

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards

## **FINANCIAL INVESTMENTS**

Non-derivative financial assets comprising the Company's strategic financial investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. These assets are classified as financial assets at fair value through profit or loss. They are carried at fair value with changes in fair value recognised through the income statement. Where there is a significant or prolonged decline in the fair value of a financial investment (which constitutes objective evidence of impairment), the full amount of the impairment is recognised in the income statement.

Due to the nature of these assets being unlisted investments or held for the longer term, the investment period is likely to be greater than 12 months and therefore these financial assets are shown as non-current assets in the Statement of financial position. Listed investments are valued at closing bid price on 31 December 2021. For measurement purposes, financial investments are designated at fair value through income statement. Gains and losses on the realisation of financial investments are recognised in the income statement for the period. The difference between the market value of financial instruments and book value to the Company is shown as a gain or loss in the income statement for the period.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash at bank and in hand, bank deposits repayable on demand, and other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less advances from banks repayable within three months from the date of advance if the advance forms part of the Company's cash management.

## **EQUITY**

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The share based payment reserve represents the cumulative amount which has been expensed in the income statement in connection with share based payments, less any amounts transferred to retained earnings on the exercise of share options.

Retained earnings include all current and prior period, as adjusted for prior year adjustments, results as disclosed in the income statement.

## **OPERATING LEASES**

The Company does not have any leases within the scope of IFRS 16 in the current year. In the prior year the Company had a short-term lease which subsequently expired.

Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

## **FOREIGN CURRENCIES**

The financial statements are presented in Sterling, which is also the functional currency of the Company.

In the financial statements of the Company, foreign currency transactions are translated into the functional currency of the Company entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss.

## **SHARE BASED PAYMENTS**

The Company issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Company's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes model, as the options have no market related conditions. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

No adjustment is made to the expense or share issue cost recognised in prior periods if fewer share options are, ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

## **FINANCIAL LIABILITIES**

The Company's financial liabilities include trade and other payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial liabilities are recognised initially at fair value, net of direct issue costs, and are subsequently recorded at amortised cost using the effective interest method with interest related charges recognised as an expense in the income statement.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

### **Sources of Estimation and Key Judgements**

The preparation of the Financial Statements requires the Company to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historic experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form

**CADENCE MINERALS PLC**  
**PRINCIPAL ACCOUNTING POLICIES**  
**For the year ended 31 December 2021**

the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

**Significant judgments and estimates**

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reported period. The estimates and associated judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

- The estimates and underlying judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
- In the preparation of these financial statements, estimates and judgments have been made by management concerning calculating the fair values of the assets acquired on business combinations, and the assumptions used in the calculation of the fair value of the share options. Actual amounts could differ from those estimates.
- Management has made the following estimates that have the most significant effect on the amounts recognised in the financial statements.

***Unlisted investments***

The Company is required to make judgments over the carrying value of investments in unquoted companies where fair values cannot be readily established and evaluate the size of any impairment required. It is important to recognise that the carrying value of such investments cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. Management's significant judgement in this regard is that the value of their investment represents their cost less previous impairment. Management reviews each unquoted investment at each reporting date for indications of impairment. Management concluded that no impairment was necessary in the current or prior year.

***Share-based payments***

The Company measures the cost of the equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Management has made a number of assumptions in calculating the fair value of the share options as detailed in note 11. The charge for the period ended 31 December 2021 of £197,000 (2020: £57,000) is determined using a Black-Scholes Valuation model, using the risk free interest rate, the volatility rate based on the prior 12 months of the Company's shares and the expected life. The expected life used in the model has been adjusted where applicable, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**CADENCE MINERALS PLC**  
PRINCIPAL ACCOUNTING POLICIES  
For the year ended 31 December 2021

**ADOPTION OF NEW OR AMENDED IFRS**

**New standards, amendments and interpretations adopted by the Company**

The company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2021:

- Amendments to IFRS 4 Insurance contracts - deferral of IFRS 9
- Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to IAS 37 - Provisions, Contingent Liabilities, Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract

The adoption of the above has not had any material impact on the disclosures or amounts reported in the financial statements.

**New standards, amendments and interpretations not yet adopted**

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

**Segment reporting**

Segmental analysis is not applicable as there is only one operating segment of the continuing business – investment activities

**CADENCE MINERALS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2021**

**1. PROFIT BEFORE TAXATION AND SEGMENTAL INFORMATION**

**Profit before taxation - continuing operations**

The loss before taxation is attributable to the principal activities of the Company.

The loss before taxation is stated after charging:

	<b>Year ended 31 December 2021</b>	Year ended 31 December 2020
	<b>£'000</b>	£'000
Share based payment charge	<b>197</b>	57
Directors' fees and consulting (see note 2)	<b>412</b>	383
Operating lease rentals: land and buildings	-	164
Fees payable to the Company's auditor for the audit of the financial statements	<b>36</b>	28
	<hr/> <hr/>	<hr/> <hr/>

**Segment reporting**

The Company operates a single primary activity to invest in businesses so as to generate a return for the shareholders. The performance and position are therefore as stated in the primary statements.

	<b>Year ended 31 December 2021</b>	Year ended 31 December 2020
	<b>£'000</b>	£'000
Unrealised profit on financial investments	<b>577</b>	10,252
Realised profit/(loss) on financial investments	<b>593</b>	65
Other income	-	54
	<hr/> <b>1,170</b> <hr/>	<hr/> <b>10,371</b> <hr/>
	<hr/> <hr/>	<hr/> <hr/>

**CADENCE MINERALS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2021**

**2. EMPLOYEE REMUNERATION**

**Employee benefits expense**

The expense recognised for employee benefits, including Directors' emoluments, is analysed below:

	<b>Year ended 31 December 2021 £'000</b>	Year ended 31 December 2020 £'000
<b>Short-term benefits</b>		
Wages, salaries and consulting fees	512	475
Bonus payments	450	180
Employers NI	95	48
Shares awarded	-	55
<b>Other long-term benefits</b>		
Share based payments	197	-
	<u>1,237</u>	<u>758</u>

The average number of employees (including directors) employed by the Company during the period was:

	<b>2021 No.</b>	2020 No.
Directors	4	4
Other	2	2
	<u>6</u>	<u>6</u>

Included within the above are amounts in respect of Directors, who are considered to be the key management personnel, as follows:

	<b>Year ended 31 December 2021 £'000</b>	Year ended 31 December 2020 £'000
<b>Short-term benefits</b>		
Wages, salaries and consulting fees	412	383
Bonus payments	450	180
Shares awarded	-	55
<b>Other long-term benefits</b>		
Share based payments charge on issue of options	197	-
	<u>1,059</u>	<u>619</u>

Details of Directors' emoluments are included in the Report on Remuneration on pages 31 to 33.

**CADENCE MINERALS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2021**

**3. FINANCE INCOME & COSTS**

	<b>Year ended 31 December 2021</b>	Year ended 31 December 2020
	<b>£'000</b>	£'000
Loan interest received	<u>35</u>	<u>6</u>
	<b>35</b>	<b>6</b>
	<b>Year ended 31 December 2021</b>	Year ended 31 December 2020
	<b>£'000</b>	£'000
Loan interest	<b>3</b>	296
Finance Fees	<u>-</u>	<u>2</u>
	<b>3</b>	<b>298</b>

**4. TAXATION**

The tax assessed for the period differs from the standard rate of corporation tax in the UK as follows:

	<b>Year ended</b>		Year ended	
	<b>31 December 2021</b>	<b>2021</b>	31 December 2020	2020
	<b>£'000</b>	<b>%</b>	£'000	%
(Loss)/profit before taxation	<u>(144)</u>		7,823	
(Loss)/profit multiplied by standard rate of corporation tax in the UK	<b>(27)</b>	<b>19</b>	1,486	19
Effect of:				
Deferred tax asset not recognised	<b>1,760</b>		911	
Remeasurement of deferred tax for changes in tax rates	<b>(1,573)</b>		(451)	
Adjustments to brought forward values	-		(957)	
Other permanent differences	<b>(1)</b>		(2)	
Chargeable gains	<b>12</b>		-	
Income not taxable	<b>(222)</b>		(1,960)	
Expenses not deductible for tax purposes	<u>51</u>		<u>973</u>	
Total tax charge for year	<u>-</u>		<u>-</u>	

The Company has tax losses in the UK of £25.97m (2020: £24.96m), subject to Her Majesty's Revenue and Customs approval, available for offset against future operating profits. The Company has not recognised any deferred tax asset in respect of these losses, due to there being insufficient certainty regarding its recovery. The unrecognised deferred tax asset is £6.50m (2020: £4.74m). Changes in tax laws and rates may affect tax assets and liabilities and our effective tax rate in the future. The main corporation tax rate in the UK is due to increase to 25% from 19% on 1 April 2023.



**CADENCE MINERALS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2021**

**5. EARNINGS PER SHARE**

The calculation of the basic earnings per share is calculated by dividing the consolidated profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares excludes shares held by an Employee Benefit Trust (see Note 10) and has been adjusted for the issue/purchase of shares during the period.

	<b>Year ended 31 December 2021</b>	Year ended 31 December 2020
	<b>£'000</b>	£'000
(Loss)/profit attributable to owners of the Company	<u><b>(144)</b></u>	<u>7,823</u>
	<b>2021</b>	2020
	<b>Number</b>	Number
Weighted average number of shares in issue	<u><b>148,535,664</b></u>	<u>116,675,272</u>
Less: shares held by the Employee Benefit Trust (weighted average)	<u><b>(7,020,000)</b></u>	<u>(3,248,689)</u>
Weighted average number of shares for calculating basic earnings per share	<u><b>141,515,644</b></u>	<u>113,426,583</u>
Share options and warrants exercisable	<u><b>n/a</b></u>	<u>1,698,405</u>
Weighted average number of shares for calculating diluted earnings per share	<u><b>n/a</b></u>	<u>115,124,988</u>
	<b>2021</b>	2020
	<b>Pence</b>	Pence
Basic earnings per share	<u><b>(0.102)</b></u>	<u>6.897</u>
Diluted earnings per share	<u><b>n/a</b></u>	<u>6.795</u>

The impact of the share options is considered anti-dilutive when the Company's result for a period is a loss.

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**6. FINANCIAL INVESTMENTS**

Financial assets at fair value through profit or loss:	£'000	£'000	£'000	£'000
	Level 1	Level 2	Level 3	Total
Fair value at 31 December 2019	5,446	-	2,240	7,686
Additions	50	-	645	695
Fair value changes	10,252	-	-	10,252
Gains on disposals	65	-	-	65
Disposal	<u>(2,052)</u>	<u>-</u>	<u>-</u>	<u>(2,052)</u>
Fair value at 31 December 2020	<u>13,761</u>	<u>-</u>	<u>2,885</u>	<u>16,646</u>
Additions	830	-	2,775	3,605
Fair value changes	577	-	-	577
(Loss)/Gains on disposals	593	-	-	593
Disposal	<u>(3,787)</u>	<u>-</u>	<u>-</u>	<u>(3,787)</u>
Fair value at 31 December 2021	<u>11,974</u>	<u>-</u>	<u>5,660</u>	<u>17,634</u>
Gains on investments held at fair value through profit or loss				
Fair value gain on investments	577	-	-	577
Realised gain on disposal of investments	<u>593</u>	<u>-</u>	<u>-</u>	<u>593</u>
Net gain on investments held at fair value through profit or loss	<u>1,170</u>	<u>-</u>	<u>-</u>	<u>1,170</u>

Level 1 represents those assets, which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs, which are not based on observable market data.

Level 1 assets comprise investments in listed securities which are traded on stock markets throughout the world, and are held by the Company as a mix of strategic and short term investments. These are classified as current assets by virtue of their liquidity. The listed investments have been valued at bid price, as quoted on their respective Stock Exchanges, at 31 December 2021. During the year ended 31 December 2021 the company disposed of a variety of its shareholdings.

Level 3 assets comprise of investment in exploration costs where licences are not 100% owned by the Company, and investments in other companies. The Directors carried out an impairment review as at 31 December 2021, and determined that no impairment was necessary.

During 2021, £2,775,000 was invested in exploration costs by the Company (2020: £645,000).

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**7. TRADE AND OTHER RECEIVABLES**

	<b>31 December 2021</b>	31 December 2020
	<b>£'000</b>	£'000
<b>Current</b>		
Trade receivables		
Other receivables	<b>1,094</b>	1,402
Amounts owed by subsidiaries	<b>3,883</b>	3,883
Prepayments and accrued income	<b>71</b>	80
	<b>5,048</b>	5,365

There is no impairment of receivables, and no amounts are past due at 31 December 2021 or 31 December 2020. Other receivables include £554,000 deposited in a lawyer's trust account in relation to the Amapa project. Since the year end this amount has been applied to increase the Company's investment in Amapa.

The fair value of these financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

**8. TRADE AND OTHER PAYABLES**

	<b>31 December 2021</b>	31 December 2020
	<b>£'000</b>	£'000
Trade payables	<b>254</b>	171
Tax and social security	-	16
Other payables	<b>8</b>	-
Accruals and deferred income	<b>591</b>	108
	<b>853</b>	295

The fair value of trade and other payables has not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

**9. BORROWINGS**

	<b>31 December 2021</b>	31 December 2020
	<b>£'000</b>	£'000
<b>Current liabilities</b>		
Loan Notes	-	210
Interest accrued	-	9
	-	219

**During the year ended 31 December 2021**, £3,000 (USD\$4,000) interest and finance charges were charged in the period, £223,000 (USD\$303,000) was repaid, and £1,000 of foreign exchange was recognised.

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**9. BORROWINGS CONTINUED**

During the year ended 31 December 2020, £296,000 (USD\$379,000) interest and finance charges were charged in the period, £2,416,000 (USD\$3,123,000) was repaid, £695,000 (USD\$889,000) was converted into ordinary shares in the Company and £52,000 of foreign exchange was recognised.

**10. SHARE CAPITAL**

	31 December 2021	31 December 2020
	£'000	£'000
<b>Allotted, issued and fully paid</b>		
173,619,050 deferred shares of 0.24p	417	417
148,649,098 ordinary shares of 1p (31 December 2020):		
147,949,098 ordinary shares of 1p)	<u>1,486</u>	<u>1,479</u>
	<u><u>1,903</u></u>	<u><u>1,896</u></u>

	Ordinary shares	Ordinary Share Capital	Share Premium
	No.	£'000	£'000
<b>Allotted and issued</b>			
At 1 January 2020	105,461,968	1,054	30,357
Issue of shares during the year	42,487,130	425	2,993
Share issue costs	-	-	(191)
<b>At 31 December 2020</b>	<u>147,949,098</u>	<u>1,479</u>	<u>33,159</u>
Issue of shares during the year	700,000	7	50
Share issue costs	-	-	(2)
<b>At 31 December 2021</b>	<u><u>148,649,098</u></u>	<u><u>1,486</u></u>	<u><u>33,207</u></u>

During the year ended 31 December 2021 the following shares were issued: On 3 January 2021, 100,000 shares were issued on exercise of options for proceeds of £6,000. On 19 January 2021, 300,000 shares were issued on exercise of warrants for proceeds of £25,000. On 28 April 2021, 300,000 shares were issued on exercise of warrants for proceeds of £25,000.

**Investment in Own Shares**

At 31 December 2021 the Company held in Trust 7,020,000 (2020: 7,020,000) of its own shares with a nominal value of £70,200 (2020: £70,200). The Trust has waived any entitlement to the receipt of dividends in respect of its holding of the Company's ordinary shares. The market value of these shares at 31 December was £1.75m (2020: £1.02m). In the current period nil were repurchased (2020: nil) and nil were transferred into the Trust (2020: 4,300,000), with nil reissued on award of shares to directors.

The shares held in EBT were incorrectly classified as an expense in prior periods. An adjustment has been made in the current period to correct this. The amounts involved are immaterial.

The deferred shares have no voting rights and are not eligible for dividends.

## 11. SHARE BASED PAYMENTS

### Share Options

The Company operates share option schemes for certain employees (including directors). Options are exercisable at the option price agreed at the date of grant. The options are settled in equity once exercised. The expected life of the options varies between 1 and 6 years. All options issued in the prior years vested immediately, with no vesting requirements. During the year ended 31 December 2021, 7,200,000 (2020: nil) options were issued to Directors.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the period are as follows:

	31 December 2021		31 December 2020	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the year	100,000	0.060	2,800,000	0.437
Issued	7,200,000	0.290	-	-
Lapsed	-	-	(2,500,000)	(0.0600)
Exercised	(100,000)	(0.060)	(200,000)	(0.0600)
Outstanding at the end of the year	<u>7,200,000</u>	<u>0.290</u>	<u>100,000</u>	<u>0.060</u>
Exercisable at year end	7,200,000		100,000	

The share options outstanding at the end of the period have a weighted average remaining contractual life of 4.33 years (31 December 2020: Nil years) and have the following exercise prices and fair values at the date of grant:

First exercise date (when vesting conditions are met)	Grant date	Exercise price	Fair value	31 December 2021	31 December 2020
		£	£	Number	Number
30 April 2021	30 April 2021	0.29	0.02742	7,200,000	-
28 January 2013	28 January 2010	0.06	0.0004	-	100,000
				<u>100,000</u>	<u>2,800,000</u>

At 31 December 2021 7,200,000 options were exercisable (31 December 2020: 100,000).

For those options and warrants granted where IFRS 2 "Share-Based Payment" is applicable, the fair values were calculated using the Black-Scholes model. The inputs into the model for share based payments recognised in the current and prior year were as follows:

	Risk free rate	Share price volatility	Expected life	Share price at date of grant
30 April 2021	0.19%	21.6%	5 years	£0.2375

Expected volatility was determined by calculating the historical volatility of the Company's share price for 12 months prior to the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**11. SHARE BASED PAYMENTS (CONTINUED)**

**Warrants**

Details of the number of warrants and the weighted average exercise price (WAEP) outstanding during the period are as follows:

	<b>31 December 2021</b>		31 December 2020	
	<b>Number</b>	<b>WAEP £</b>	Number	WAEP £
Outstanding at the beginning of the year	<b>1,598,405</b>	<b>0.11348</b>	-	-
Issued	<b>800,000</b>	<b>0.20000</b>	3,024,325	0.10056
Exercised	<b>(600,000)</b>	<b>(0.085)</b>	(1,425,920)	(0.86088)
Outstanding at the end of the year	<b>1,798,405</b>	<b>0.16147</b>	1,598,405	0.11348
Exercisable at year end	<b>1,798,405</b>		1,598,405	

The warrants outstanding at the end of the period have a weighted average remaining contractual life of 1.78 years (31 December 2020: 1.98 years) and have the following exercise prices and fair values at the date of grant:

First exercise date (when vesting conditions are met)	Grant date	Exercise price £	<b>31 December 2021 Number</b>	31 December 2020 Number
01 January 2020	01 January 2020	0.15	435,905	435,905
01 January 2020	01 January 2020	0.085	-	600,000
06 May 2020	06 May 2020	0.06	41,667	41,667
20 August 2020	20 August 2020	0.12	520,833	520,833
28 September 2021	28 September 2021	0.20	800,000	-
			<b>1,798,405</b>	<b>1,598,405</b>

For those warrants granted where IFRS 2 “Share-Based Payment” is applicable, the fair values were calculated using the Black-Scholes model. The inputs into the model for share based payments recognised in the current and prior year were as follows:

	Risk free rate	Share price volatility	Expected life	Share price at date of grant
6 May 2020	0.49%	28.4%	3 years	£0.0625
10 June 2020	0.47%	29.0%	3 years	£0.0875
20 August 2020	(0.06%)	38.5%	3 years	£0.15325
28 September 2021	0.19%	28.4%	3 years	£0.1825

The Company recognised total expenses of 197,000 (year ended 31 December 2020: £57,000) relating to equity-settled share-based payment transactions during the period.

## 12. FINANCIAL INSTRUMENTS

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Board is responsible for co-ordinating the Company's risk management and focuses on actively securing the Company's short to medium term cash flows. Long term financial investments are managed to generate lasting returns.

The Company has purchased shares in Companies which are listed on public trading exchanges such as the LSE, TSX and ASX, and these shares are held as an available-for-sale asset. The most significant risks to which the Company is exposed are described below:

### a Credit risk

The Company's credit risk will be primarily attributable to its trade receivables. At 31 December 2021 and 31 December 2020 the Company had no trade receivables and therefore minimal risk arises.

Generally, the Company's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	31 December 2021				31 December 2020			
	Investments (carried at fair value)	Loans and receivables (carried at amortised cost)	Derivative financial assets	Statement of Financial position total	Investments (carried at fair value)	Loans and receivables (carried at amortised cost)	Derivative financial assets	Statement of financial position total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investments (carried at fair value)	11,974	-	-	11,974	13,761	-	-	13,761
Other long term financial assets	5,660	-	-	5,660	2,885	-	-	2,885
Other receivables	-	1,094	-	540	-	1,402	-	1,402
Receivables from investee companies	-	3,883	-	3,883	-	3,883	-	3,883
Prepayments and accrued income	-	71	-	71	-	80	-	80
Cash and cash equivalents	-	324	-	878	-	596	-	596
<b>Total</b>	<b>17,634</b>	<b>5,372</b>	<b>-</b>	<b>23,006</b>	<b>16,646</b>	<b>5,961</b>	<b>-</b>	<b>22,607</b>

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

## **12. FINANCIAL INSTRUMENTS (CONTINUED)**

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the investment.

### Investments

The Company's investment in shares in Listed Companies are included as a financial investment and has been classified as Level 1, as market prices are available and the market is considered an active, liquid market.

The Company's investment in exploration costs where licences are not 100% owned by the Company, and investments in other companies are classified as non-current Level 3.

The credit risk on liquid funds is limited because the Company only places deposits with leading financial institutions in the United Kingdom.

#### **a Liquidity risk**

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Directors prepare rolling cash flow forecasts and seek to raise additional equity funding whenever a shortfall in funding is forecast. Details of the going concern basis of preparing the financial statements are included in the principal accounting policies.

#### **b Market risk**

The amount and quality of minerals available and the related costs of extraction and production represent a significant risk to the Company. The Company is exposed to fluctuating commodity prices in respect of the underlying assets. The Company seeks to manage this risk by carrying out appropriate due diligence in respect of the projects in which it invests.

The Company is exposed to the volatility of the stock markets around the world, on which it holds shares in various listed entities, and the fluctuation of share prices of these underlying companies. The Company manages this risk through constant monitoring of its investments share prices and news information, but does not hedge against these investments.

#### **c Interest rate risk**

The Company only has borrowings at fixed coupon rates and therefore minimal interest rate risk, as this is deemed its only material exposure thereto.

#### **d Foreign exchange risk**

The Company had no borrowings at 31 December 2021. At 31 December 2020 the Company had borrowings of £219,000 which were denominated in US dollars. The Company operates foreign currency bank accounts to help mitigate the foreign currency risk.



## 12. FINANCIAL INSTRUMENTS (CONTINUED)

### e Financial liabilities

The Company's financial liabilities are classified as follows:

	31 December 2021			31 December 2020		
	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000	Other financial liabilities at amortised cost £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000
Trade payables	254	-	254	171	-	171
Accruals and deferred income	-	591	591	-	108	108
Other payables	8	-	8	16	-	16
Borrowings	-	-	-	219	-	219
<b>Total</b>	<b>262</b>	<b>591</b>	<b>853</b>	<b>406</b>	<b>108</b>	<b>514</b>

### Maturity of financial liabilities

All financial liabilities at 31 December 2021 and 31 December 2020 mature in less than one year.

### Borrowing facilities for the period ended 31 December 2021

The Company had no committed borrowing facilities at 31 December 2021 (31 December 2020: £219,000). See Note 9 for details.

The Company had no committed undrawn facilities at 31 December 2021 or 31 December 2020.

### f Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it continues to provide returns and benefits for the shareholders;
- to support the Company's stability and growth; and
- to provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure, to ensure an optimal capital structure, and equity holder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

**13. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	<b>Short-term borrowings</b>	<b>Total</b>
<b>1 January 2021</b>	<b>219</b>	<b>219</b>
Cash-flows:		
- Interest charged	3	3
- Realised foreign exchange	1	1
- Repayments	(223)	(223)
<b>31 December 2021</b>	<b>-</b>	<b>-</b>
	<b>Short-term borrowings</b>	<b>Total</b>
<b>1 January 2020</b>	<b>2,982</b>	<b>2,982</b>
Cash-flows:		
- Interest charged	296	296
- Realised foreign exchange	39	39
- Repayments	(2,416)	(2,416)
Non-cash:		
- Loans converted	(695)	(695)
- Unrealised Foreign exchange movement	13	13
<b>31 December 2020</b>	<b>219</b>	<b>219</b>

**14. RELATED PARTY TRANSACTIONS**

The Company accrued rent of £19,200 due to Gunsynd Plc, a company of which Don Strang is a director (2020: £8,000 charged). Andrew Suckling is a director of Macarthur Minerals Limited. During the year the Company sold 286,000 shares of its holding in Macarthur Minerals for proceeds of £50,581 (2020: 5,951,000 shares disposed of for proceeds of £607,386). At the year end the company held 1,016,000 shares in Macarthur Minerals (2020: 1,302,000).

Key Management Personnel are considered to be the Company Directors only, and their fees and remuneration are disclosed in the Directors Remuneration on pages 31 to 33, and within Note 2 to the financial statements.

**15. EVENTS AFTER THE END OF THE REPORTING PERIOD**

On 3 February 2022, the Company announced it had issued 19,999,985 ordinary shares in respect of a placing and subscription at 20.5p per share.

On 21 February 2022, the Company announced it had issued 3,634,825 ordinary shares in respect of an open offer at 20.5p per share.

On 19 April 2022, the Company announced it had issued 435,905 ordinary shares in respect of an exercise of warrants at 15p per share.

## **15. EVENTS AFTER THE END OF THE REPORTING PERIOD (CONTINUED)**

On 7 February 2022, the Company announced that the material preconditions for the second stage of its investment in the Amapa Project has been satisfied and the Company's next 7% interest would now vest. This completed on 15 March 2022 and the Company now has a 27% interest in the Pedra Branca Alliance. For further details please see the Strategic Report.

On 30 March 2022, the Company announced that it has entered into a Conditional Sale Agreement of its 31.5% Equity Stake in Lithium Technologies and Lithium Supplies, and would receive up to A\$6.63 million (£3.72 million). The consideration payable to LT and LS shareholders will be via a mixture of cash and shares. For further details please see the Strategic Report.

Following these share issues, the Company has 172,719,813 Ordinary shares of 1 pence each in issue. No ordinary shares are held in treasury. The figure of 172,719,813 Ordinary shares may be used by the Company's shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the Financial Conduct Authority's Disclosure and Transparency Rule.

## **16. ULTIMATE CONTROLLING PARTY**

In the opinion of the directors there is no controlling party.