

**THIS ADMISSION DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Admission Document, or the action you should take, you are recommended immediately to seek your own financial advice from an independent financial adviser, such as a stockbroker, solicitor, accountant or other adviser who specialises in advising on the acquisition of shares and securities and is authorised under the Financial Services and Markets Act 2000 (“FSMA”) (or, if you are a person outside the UK, a person otherwise similarly qualified in your jurisdiction).**

This Admission Document, which comprises an AIM admission document, has been prepared in connection with the proposed application for admission of the issued and to be issued share capital of the Company to trading on AIM, a market of London Stock Exchange plc. This Admission Document is an admission document drawn up in accordance with the AIM Rules for Companies. This Admission Document does not constitute a prospectus within the meaning of section 85 of FSMA, and has not been drawn up in accordance with the Prospectus Regulation Rules published by the Financial Conduct Authority (“FCA”) and a copy has not, and will not be, approved or filed with the FCA or any other competent authority. This Admission Document does not constitute, and the Company is not making, an offer of transferable securities to the public within the meaning of section 102B of FSMA or otherwise.

The Company and each of the Existing Directors and the Proposed Directors, whose names appear on page 8 of this Admission Document in accordance with the AIM Rules, individually and collectively accept full responsibility for the information contained in this Admission Document, including for its compliance with the AIM Rules. To the best of the knowledge and belief of the Company, the Existing Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Admission Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Application will be made for the whole of the Company’s issued and to be issued ordinary share capital to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the FCA (the “Official List”). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange plc in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange plc has not itself examined or approved the contents of this Admission Document nor will it. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List.**

Prospective investors should read the whole of this Admission Document. An investment in the Company is speculative and involves a high degree of risk. The attention of prospective investors is drawn in particular to Part II of this Admission Document which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Company’s business, financial position and prospects should be viewed in light of these risk factors.

The Ordinary Shares are not traded on any other recognised investment exchange and no other such applications have been made. It is expected that Admission (as defined on page 182 of this Admission Document) will become effective and dealings on AIM will commence in the New Ordinary Shares at 8.00 a.m. on 13 January 2021.

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## **Equatorial Palm Oil plc**

*(Incorporated and registered in England and Wales with registration number 5555087)*

### **Proposed acquisition of up to 100 per cent. of Capital Metals Limited Share Consolidation**

**Placing of 16,666,666 New Ordinary Shares at 12 pence per share  
Subscription for 708,333 New Ordinary Shares at 12 pence per share**

**Re-Admission of Enlarged Issued Share Capital to trading on AIM**

**Proposed change of name to Capital Metals plc**

**and**

### **Notice of General Meeting**

*Nominated Adviser*



*Broker to the Placing*



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The Placing Shares, the Subscription Shares and Consideration Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares then in issue (following the Share Consolidation) and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

SPARK Advisory Partners Limited (“SPARK”) which is authorised and regulated in the UK by the Financial Conduct Authority, is acting as nominated adviser to the Company. SPARK will not be acting for or otherwise be responsible to any person (including a recipient of this Admission Document) other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of any part of this Admission Document or otherwise in respect of the proposed Acquisition, Placing, Subscription or Admission or any transaction, matter or engagement referred to in this Admission Document. The responsibilities of SPARK, as the Company’s nominated adviser under the AIM Rules, are owed solely to London Stock Exchange plc and are not owed to the Company or any Existing Director, Proposed Director or

Shareholder or to any other person. In respect of any decision to acquire Ordinary Shares in reliance on any part of this Admission Document or otherwise, SPARK is not making any representation or warranty, express or implied, as to the contents of this Admission Document.

Brandon Hill Capital Limited (“**Brandon Hill**”), which is authorised and regulated in the UK by the FCA and is a member of the London Stock Exchange, are the Company’s brokers in relation to the Placing and acting exclusively for the Company and no one else in connection with the matters described herein and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Brandon Hill or for advising any other person in respect of their decision to acquire Ordinary Shares in reliance on any part of this Admission Document or any other matters relating thereto.

Apart from the responsibilities and liabilities, if any, which may be imposed on SPARK and/or Brandon Hill by FSMA or the regulatory regime established thereunder, neither SPARK nor Brandon Hill accepts any responsibility whatsoever for the contents of this Admission Document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares, the Acquisition, the Placing, the Subscription or Admission. SPARK and Brandon Hill accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this Admission Document or any such statement.

No legal, business, tax or other advice is provided in this Admission Document. Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding, or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

**It should be remembered that the price of securities and the income from them can go down as well as up and this Admission Document contains references to past performance of the Company and its subsidiary. Past performance is not a reliable indicator of future results.**

**A notice of a General Meeting of the Company to be held at the offices of Hill Dickinson, The Broadgate Tower, 20 Primrose Street, London EC2A 2EW at 10.00 a.m. on 11 January 2021, is set out at the end of this document.**

Please complete, sign and return the enclosed form of proxy, in accordance with the instructions printed thereon so as to arrive as soon as possible and in any event, in order to be valid, so as to be received by Share Registrars Limited no later than 10.00 a.m. on 7 January 2021. The completion and return of a form of proxy will not preclude you from attending and voting in person at the General Meeting should you wish to do so, however, you should be aware that, in light of the public health advice in response to the COVID-19 outbreak, you should not attend the General Meeting as travel to it is not necessary for business purposes.

If you hold your shares in uncertificated form in CREST you may appoint a proxy or proxies by utilising the CREST electronic proxy appointment service in accordance with the procedures described in the CREST Manual as set out in the Notice of General Meeting at the end of this document. Proxies submitted via CREST must be received by Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR (ID 7RA36) no later than 10.00 a.m. on 7 January 2021. The appointment of a proxy using the CREST electronic proxy appointment service will not preclude you from attending and voting in person at the General Meeting should you wish to do so, however, you should be aware that, in light of the public health advice in response to the COVID-19 outbreak, you should not attend the General Meeting as travel to it is not necessary for business purposes.

**In light of the public health advice in response to the COVID-19 outbreak, including to limit travel and public gatherings, the Company strongly encourages all Shareholders to submit their form of proxy, appointing the chairman of the General Meeting as proxy, rather than attend the General Meeting in person.**

Copies of this Admission Document, which is dated 23 December 2020, will (subject to certain restrictions relating to persons resident in certain restricted jurisdictions) be available to download from the Company’s website [www.epoil.co.uk](http://www.epoil.co.uk).

## **OVERSEAS SHAREHOLDERS**

This Admission Document does not constitute an offer to sell, or a solicitation to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Admission Document is not, subject to certain exceptions, for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa or Japan. The Ordinary Shares have not been nor will be registered under the United States Securities Act of 1933, as amended, nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa, Japan, or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered, sold, taken up, delivered or transferred directly or indirectly in, into or from the United States of America, Canada, Australia, the Republic of South Africa, Japan, or to any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa or Japan. The distribution of this Admission Document in certain jurisdictions may be restricted by law. No action has been taken by the Company or by SPARK or Brandon Hill that would permit a public offer of Ordinary Shares or possession or distribution of this Admission Document where action for that purpose is required. Persons into whose possession this Admission Document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, or any other securities commission or regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Placing Shares or Subscription Shares nor have they approved this Admission Document or confirmed the accuracy or adequacy of the information contained in this Admission Document. There will be no public offer in the United States. Outside of the United States, the Placing Shares and Subscription Shares are being offered in reliance on Regulation S under the US Securities Act.

Holding Ordinary Shares may have implications for overseas shareholders under the laws of the relevant overseas jurisdictions. Overseas shareholders should inform themselves about and observe any applicable legal and/or regulatory requirements. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

## **IMPORTANT INFORMATION**

In deciding whether or not to invest in the Ordinary Shares, or in making any other investment decisions in respect of Admission, the Placing, the Subscription or the Acquisition, prospective investors should rely only on the information contained in this Admission Document. No person has been authorised to give any information or make any representations other than as contained in this Admission Document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, SPARK or Brandon Hill. Neither the delivery of this Admission Document nor any subscription or purchase made under this Admission Document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Admission Document or that the information contained herein is correct as at any time after its date.

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective Shareholders should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see Part II "Risk Factors" of this Admission Document).

Potential investors contemplating an investment in Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are

reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this Admission Document, you should consult your stockbroker or your financial or other professional adviser. Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this Admission Document or any subsequent communications from the Company, the Directors, SPARK or Brandon Hill as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Investors who subscribe for or purchase Ordinary Shares in the Placing or Subscription will be deemed to have acknowledged that: (i) they have not relied on SPARK, Brandon Hill or any person affiliated with either of them in connection with any investigation of the accuracy of any information contained in this Admission Document for their investment decision; (ii) they have relied only on the information contained in this Admission Document; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this Admission Document) and, if given or made, any such other information or representation has not been relied upon as having been authorised by or on behalf of the Company, the Existing Directors, the Proposed Directors, SPARK or Brandon Hill.

This Admission Document should be read in its entirety before making any investment in the Company.

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this Admission Document are forward-looking statements. Forward-looking statements include all matters that are not current or institutional facts and appear in a number of places throughout this Admission Document. Words such as “expects”, “predicts”, “anticipates”, “may”, “should”, “will”, “intends”, “plans”, “believes”, “targets”, “seeks”, “estimates”, “aims”, “projects”, “pipeline” and variations of such words and similar expressions (including their negative or other variations) are intended to identify such forward-looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. These forward-looking statements are not based on historical facts but rather on the Existing Directors’ and the Proposed Directors’ expectations regarding the Enlarged Group’s future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward-looking statements reflect the Directors’ current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including risks associated with vulnerability to general economic and business conditions, competition and other regulatory changes, actions by governmental authorities, the availability of capital markets, reliance on key personnel and other factors, many of which are beyond the control of the Company. These forward-looking statements are subject to, among other things, the risk factors described in Part II of this Admission Document. Although the forward-looking statements contained in this Admission Document are based upon what the Existing Directors and Proposed Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. Potential investors should therefore not place undue reliance on forward-looking statements (which speak only as of the date of this Admission Document). No reliance should be put on any written or oral forward-looking statements that the Company, or persons acting on its

behalf, may issue. Forward-looking statements contained in this Admission Document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future and no forward looking statement contained in this Admission Document is intended to provide any representation, assurance or guarantee as to future events or results. The Company will comply with its obligations to publish updated information as required by FSMA, the Market Abuse Regulation and/or the AIM Rules or otherwise by law and/ or by any regulatory authority but assumes no further obligation to publish additional information. Subject to any requirement under applicable legislation or regulation, the Company will not (and expressly disclaims any undertaking or obligation to) publicly release any revisions it may make to any forward-looking statements or other information that may occur due to any change in its expectations or to reflect events or circumstances after the date of this Admission Document

## **ROUNDING**

The financial information contained in this Admission Document, including that financial information presented in a number of tables in this Admission Document, has been subject to rounding adjustments. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this Admission Document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

## **MARKET, INDUSTRY AND ECONOMIC DATA**

Unless the source is otherwise identified, the market, industry, and economic and industry data and statistics in this Admission Document constitute the Directors' and Proposed Directors' estimates, using underlying data from third parties. The Company has obtained market and economic data and certain industry statistics from internal reports, as well as from third party sources as described in the footnotes to such information. The Company confirms that all third party information set out in this Admission Document has been accurately reproduced and that, so far as the Company is aware and has been able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Admission Document, the source of such information has been identified.

Such third party information has not been audited or independently verified.

Statistics are subjective and judgmental.

Market and industry data are inherently predictive and speculative and is not necessarily reflective of actual market conditions. Statistics in such data are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. The value of comparisons of statistics for different markets is limited by many factors, including: (i) the markets are defined differently; (ii) the underlying information was gathered by different methods; and (iii) different assumptions were applied in compiling the data. Consequently, the industry publications and other reports referred to above generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and, in some instances, these reports and publications state expressly that they do not assume liability for such information. Specifically, neither SPARK nor Brandon Hill have authorised the contents of, or any part of, this Admission Document and accordingly no liability whatsoever is accepted by SPARK or Brandon Hill for the accuracy or completeness of any market or industry data which is included in this Admission Document.

## **NO INCORPORATION OF WEBSITES**

The contents of the Company's websites (nor any other website whether or not accessible via hyperlinks from the Company's website) do not form part of this Admission Document and potential investors should not rely on them.

## **GENERAL NOTICE**

This Admission Document has been drawn up in accordance with the AIM Rules and it does not comprise a prospectus for the purposes of the Prospectus Regulation Rules in the United Kingdom. It has been drawn up in accordance with the requirements of the Prospectus Regulation Rules only in so far as required by the AIM Rules and has not been delivered to the Registrar of Companies in England and Wales for registration. This Admission Document has been prepared for the benefit only of existing Shareholders of the Company and a limited number of persons all of whom qualify as "qualified investors" for the purposes of the Prospectus Regulation Rules, to whom it has been addressed and delivered and may not in any circumstances be used for any other purpose or be viewed as a document for the benefit of the public. The reproduction, distribution or transmission of this Admission Document (either in whole or in part) without the prior written consent of the Company, SPARK and Brandon Hill is prohibited.

## **GOVERNING LAW**

Unless otherwise stated, statements made in this Admission Document are based on the law and practice currently in force in England and Wales and are subject to changes in such law and practice.

## **REFERENCES TO DEFINED TERMS**

Certain terms used in this document are defined in the section of this document under the headings "Definitions".

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Existing Directors</b>	Michael Julian Frayne ( <i>Executive Chairman</i> ) Geoffrey Edward Martyn Brown ( <i>Non-executive Director</i> ) Teh Kwan Wey ( <i>Non-executive Director</i> )
<b>Proposed Directors</b>	Michael Julian Frayne ( <i>will become Chief Executive Officer on Admission</i> ) Gregory Pentland Martyr ( <i>Non-executive Chairman</i> ) Anthony John Samaha ACA ( <i>Finance Director</i> ) James Gerald Leahy ( <i>Non-executive Director</i> )
<b>Company Secretary</b>	Ben Harber (Sam Delevan Quinn of Silvertree Partners LLP on Admission)
<b>Registered Office</b>	6 <sup>th</sup> Floor, 60 Gracechurch Street London, EC3V 0HR
<b>Website</b>	www.epoil.co.uk ( <i>prior to Admission</i> ) www.capitalmetals.com ( <i>on Admission</i> )
<b>Nominated Adviser</b>	SPARK Advisory Partners Limited 5 St. John's Lane London, EC1M 4BH
<b>Joint Broker to the Company</b>	Mirabaud Securities Limited 5 <sup>th</sup> Floor, 10 Bressenden Place London, SW1E 5DH
<b>Broker to the Placing, and joint Broker to the Company</b>	Brandon Hill Capital Ltd Kemp House 152-160 City Road London, EC1V 2NX
<b>Reporting Accountants</b>	PKF Littlejohn LLP 15 Westferry Circus Canary Wharf London, E14 4HD
<b>Auditor</b>	BDO LLP 55 Baker Street London, W1V 7EV
<b>Legal Advisers to the Company</b>	Hill Dickinson LLP The Broadgate Tower 20 Primrose Street London, EC2A 2EW
<b>Company's Sri Lankan Legal Advisers</b>	Varners Level 14 West Tower World Trade Centre Echelon Square Colombo 1 Sri Lanka
<b>Company's BVI Legal Advisers</b>	Harney Westwood & Riegels LLP 3rd Floor 1 Pemberton Row London, EC4A 3BG
<b>Legal Advisers to the Nominated Adviser and Brokers</b>	Goodman Derrick LLP 10 St Bride Street London, EC4A 4AD

**Registrars**

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

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Admission Document	23 December 2020
Latest time and date for receipt of CREST voting intentions	10.00 a.m on 7 January 2021
Latest time and date for receipt of Forms of Proxy	10.00 a.m on 7 January 2021
Time and date of the General Meeting	10.00 a.m on 11 January 2021
Record Date for the Share Consolidation	6.00 p.m on 11 January 2021
Change of Name effective	12 January 2021
Issue of the Placing Shares, Subscription Shares and Consideration Shares	12 January 2021
Completion of Acquisition	8.00 a.m. on 13 January 2021
Re-admission of the Enlarged Issued Ordinary Share Capital to trading on AIM	8.00 a.m. on 13 January 2021
Expected date for New Ordinary Shares to be credited to CREST accounts	13 January 2021
Despatch of definitive certificates for New Ordinary Shares	27 January 2021

*All of the above timings refer to London time unless otherwise stated. All future times and/or dates referred to in this Admission Document are subject to change at the discretion of the Company and SPARK. All times are UK times unless otherwise specified.*

## ADMISSION AND PLACING STATISTICS

Number of Existing Ordinary Shares in issue at the date of this Admission Document	456,277,502
Number of new Ordinary Shares to issue ahead of the Share Consolidation	18
Number of New Ordinary Shares in issue following the Share Consolidation	22,813,876
Number of Placing Shares to be issued by the Company	16,666,666
Number of Subscription Shares to be issued by the Company	708,333
Number of Consideration Shares to be issued by the Company ††	132,000,000
Enlarged Issued Share Capital on Admission ††	172,188,875
Fully diluted share capital**	201,133,555
Placing Shares, Subscription Shares and Consideration Shares as a percentage of the Enlarged Issued Share Capital	86.7 per cent.
Placing Price per Share	12 pence
Market capitalisation of the Company at the Placing Price	£20.6 million
Gross proceeds of the Placing and Subscription	£2.085 million
Estimated net proceeds of the Placing and Subscription	£1.525 million
AIM symbol*	CMET
ISIN †	GB00BMF75608
SEDOL Code †	BMF7560
LEI Code	213800RR4MW1ETEMS859

†† assuming 100 per cent. of CML Shares are acquired in the Offer

\* the new AIM symbol shall become effective only if the Resolutions are passed at the General Meeting, prior to which it will remain as PAL

\*\* assuming exercise of all existing options and warrants, and those proposed to be issued in relation to the Proposals

† the new ISIN/SEDOL codes only become effective if the resolution to approve the Share Consolidation is passed at the General Meeting, otherwise they will remain as GB00B2QBNL29 / B2QBNL2

## PART I

# LETTER FROM THE CHAIRMAN AND INFORMATION ON THE PROPOSALS Equatorial Palm Oil PLC

*(incorporated in England and Wales under the Companies Act 1985 with registered number 5555087)*

*Directors:*

Michael Frayne (Chairman)  
Geoffrey Brown\*  
Teh Kwan Wey\*

\* non executive

*Registered Office:*

6<sup>th</sup> Floor, 60 Gracechurch Street  
London  
United Kingdom  
EC3V 0HR

23 December 2020

*To shareholders of Equatorial Palm Oil, and holders of Existing Warrants*

**Dear Shareholder,**

**Proposed acquisition of up to 100 per cent. of Capital Metals Limited  
Share Consolidation  
Placing of 16,666,666 New Ordinary Shares at 12 pence per share  
Subscription for 708,333 New Ordinary Shares at 12 pence per share  
Re-Admission of Enlarged Issued Share Capital to trading on AIM  
Proposed change of name to Capital Metals plc  
and  
Notice of General Meeting**

### 1. INTRODUCTION

As announced by the Company on 21 October 2020, it has reached conditional agreement with parties holding a majority of the shares ("**CML Majority**") of Capital Metals Limited ("**CML**") to acquire their shares in CML in exchange for shares in the Company. On that date, the Company also made the same offer to all of the remaining shareholders in CML ("**CML Minority**") which, if accepted, will result in the acquisition of up to 100 per cent. of the entire issued share capital of CML for an aggregate total consideration of £15.84 million at Admission, to be satisfied by the issue of up to 132,000,000 Consideration Shares at an issue price of 12 pence per Consideration Share (following a 20:1 share consolidation) to the CML Shareholders accepting the Offer ("**CML Vendors**"). As at the date of this document, CML Vendors (including the CML Majority) that have accepted the Offer hold in aggregate 98.3 per cent. of the issued share capital of CML.

The Company's shares have been suspended from trading since that date, with a closing mid-market price of 0.75 pence per Existing Ordinary Share.

The Company announces it has conditionally raised approximately £2 million by way of the Placing of the Placing Shares to further the Work Programme and produce the Development Study as outlined in paragraph 4 of this Part I. In addition, it has raised £85,000 under the Subscriptions.

This Admission Document sets out the details of, and reasons for, the Proposals.

The Acquisition, if completed, will constitute a reverse takeover by the Company under the AIM Rules and is, therefore, subject to the approval of Shareholders at the General Meeting on 11 January 2021, details of which are set out in paragraph 22 of this Part I. Further details of the terms and conditions of the Acquisition are set out in paragraph 3 of this Part I.

In addition, Michael Frayne, Executive Chairman, is a director and shareholder of CML. As such, the Acquisition constitutes a related party transaction under AIM Rule 13. The Independent Directors of the Company have considered the terms of the Acquisition and recommend it to Shareholders. Further details are set out in paragraph 3 further below.

The Directors believe that it is appropriate, should the Acquisition be completed, having been approved by Shareholders at the General Meeting, that the name of the Company be changed to Capital Metals plc.

The purpose of this Admission Document is to provide Shareholders with further information regarding the matters described above and to seek Shareholders' approval of the Resolutions at the General Meeting. The notice of General Meeting is set out at the end of this Admission Document. The Proposals are conditional on, amongst other things, the passing of the Resolutions, Admission and acceptance being received from CML Shareholders holding more than 75 per cent. of the issued CML Shares (unless agreed otherwise by the Company and CML, with the approval of the Nominated Adviser). If the Resolutions are approved by Shareholders, it is expected that Admission will become effective and dealings in the Enlarged Issued Share Capital will commence on AIM on or around 13 January 2021. The General Meeting at which the Resolutions will be proposed has been convened for 10.00 a.m. on 11 January 2021 at the offices of Hill Dickinson LLP at The Broadgate Tower, 20 Primrose Street, London EC2A 2EW.

**You should read the whole of this Admission Document and not just rely upon the information contained in this letter. In particular, you should carefully consider the Risk Factors set out in Part II of this Admission Document. Your attention is also drawn to the information set out in Parts III to VIII of this Admission Document.**

## **2. BACKGROUND TO AND REASONS FOR THE ACQUISITION**

As announced on 11 June 2020, the Company completed the disposal, by its wholly-owned subsidiary, Equatorial Biofuels (Guernsey) Limited, of the Company's 50 per cent. interest in Liberian Palm Developments Limited to major shareholder Kuala Lumpur Kepong Berhad ("KLK"). Consequently, the Company became an AIM Rule 15 cash shell and as such, is required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 within six months or otherwise seek to become an investing company pursuant to AIM Rule 8. As 6 months have lapsed since the Company became an AIM Rule 15 cash shell, the Company's suspension of trading shall continue until Admission.

Capital Metals Limited has previously sought a listing on a UK capital market and most recently in early 2020 was in a process to seek to join the Standard Segment of the Official List. Following discussions with the Company, once the Company had become a Rule 15 cash shell, it was agreed by the independent directors of the respective boards that a listing by way of a reverse takeover could be mutually beneficial for each party, if appropriate terms could be agreed.

The Independent Directors have reviewed the merits of the Acquisition and agreed its terms with CML.

## **3. PRINCIPAL TERMS OF THE ACQUISITION**

On 16 October 2020, the Company sent an offer letter to Capital Metals Limited communicating the offer from the Company to acquire the entire issued share capital of Capital Metals Limited (the "Offer"). Upon receipt of the Offer, CML sent offer letters to certain of its shareholders, comprising the CML Majority communicating the Offer. The CML Majority hold between them around 51.4 per cent. of the CML Shares. The Offer specified the following terms:

- In consideration for the acquisition of the CML Shares, the Company proposed to issue 1.235 Consideration Shares for every 1 CML Share sold.
- That completion of the Acquisition is conditional, amongst other things, on the passing of the Resolutions and the Placing and Admission becoming effective on or before 31 March 2021.
- Completion of the Offer is also conditional on acceptances being received from the holders of CML Shares holding more than 75 per cent. of the issued CML Shares (unless otherwise agreed between CML and the Company, with the approval of the Nominated Adviser).
- A CML Shareholder accepting the offer (a "CML Vendor") will be required to provide usual title and capacity warranties and the Company will also give title and capacity warranties to them.
- If a CML Vendor wishes to accept the Offer they should return a signed acceptance form which is sent to them with the Offer Letter ("**Acceptance Form**"). Contained within the Offer Letter is a power of attorney pursuant to which a CML Shareholder will appoint Capital Metals Limited as their attorney to take all reasonable and necessary actions on their behalf in order to give effect to the Offer and to complete the transaction. This includes authority to execute a conditional sale and purchase agreement ("**Acquisition Agreement**") and all necessary instruments of transfer.

- Save for the CML Vendors referenced in the bullet point below, all of the CML Vendors will undertake to the Company that they will not dispose of any interest they hold in the Consideration Shares for a period of 3 months following Admission.
- CML Shares held by CML Vendors as a result of the conversion by them of bonds in CML into CML Shares shall not be subject to any lock-in restrictions (unless required pursuant to the AIM Rules) and certain other CML Vendors shall be subject to the lock-in restrictions referenced at paragraph 13 of this Part I as required by Rule 7 of the AIM Rules.
- The CML Directors recommended that all CML Shareholders accept the Offer.

As at the date of this document, each of the CML Majority has accepted the Offer and returned an executed Acceptance Form and CML has entered into an Acquisition Agreement with the Company on their behalf pursuant to which their CML Shares shall be acquired by the Company, subject to satisfaction of the conditions. In addition, Capital Metals Limited sent Offer Letters to the remaining CML Shareholders (the “**CML Minority**”). As at the date of this document, CML Vendors (including the CML Majority) holding 98.3 per cent. of the issued share capital of CML have accepted the Offer.

In the event that the Offer is accepted by all CML Shareholders, the Company will acquire all of the issued CML Shares and will in turn issue 132,000,000 Consideration Shares to satisfy a total consideration of £15.84 million. In the event that the Offer is not accepted by all CML Shareholders, the number of Consideration Shares to be issued shall be reduced accordingly.

On the date falling two Business Days prior to the General Meeting, the Company and Capital Metals Limited (acting as attorney for the CML Minority that have accepted the Offer) will execute an Acquisition Agreement setting out the terms of the Acquisition as set out in the Offer Letter and Acceptance Forms, in particular containing the mechanics for completion of the Acquisition. Further details of the Acquisition Agreements are set out in paragraph 13.7 and 13.8 of Part VIII of this Admission Document.

In connection with the Acquisition, the CML Directors entered into a warranty deed pursuant to which they provided commercial warranties to the Company in connection with the assets and business of Capital Metals Limited (the “**CML Warranty Deed**”)

Further details of the Offer Letters, the Acceptance Forms, the Acquisition Agreement and the CML Warranty Deed are set out in paragraphs 13.5 to 13.9 of Part VIII of this Admission Document.

#### ***Acquisition of shares from minority holders***

The BVI Business Companies Act 2004 (the **BCA**) provides a statutory process whereby the holder(s) of 90% plus of the votes of the issued shares (the **Majority Shareholders**) can squeeze out the holders of 10% or less (the **Minority Shareholders**). After the Company has received a direction from the Majority Shareholders to redeem the Minority Shareholders, the Company is obligated to carry out that redemption process (which begins with notifying the Minority Shareholders that they are being squeezed out and the price and manner of that squeeze out, the **Squeeze Out Notice**). Unless the squeeze-out is procedurally invalid, Minority Shareholders cannot prevent their shares being redeemed. However, they are entitled to dissent and dispute the price (the **Redemption Price**) being paid to them by the Company for their shares as the BCA does entitle them to receipt of fair value for their shares. Should the Minority Shareholders dispute the Redemption Price then, failing agreement between the Minority Shareholder and the company, a statutory appraisal process must be followed for purposes of the determination of the fair value of their shares (the **Appraisal Process**). During the Appraisal Process, the rights of the Minority Shareholders are restricted to (a) their right to receive fair value for the shares redeemed and (b) the right to institute proceedings to obtain relief on the ground that the squeeze-out is illegal.

#### ***Related Party Transaction***

Michael Frayne is a director of CML and, together with his wife, has a 9.81 per cent. interest in CML Shares. He is also Executive Chairman of the Company.

Accordingly, the Acquisition constitutes a related party transaction under Rule 13 of the AIM Rules. Geoffrey Brown and Teh Kwan Wey, being the Independent Directors for the purposes of AIM Rule 13, having consulted with SPARK, the Company's Nominated Adviser, consider that the terms of the Acquisition are fair and reasonable insofar the Shareholders are concerned. In providing such

advice to the Independent Directors, SPARK has taken into account the Independent Directors' commercial assessment.

#### 4. INFORMATION ON THE ENLARGED GROUP

##### ***Equatorial Palm Oil***

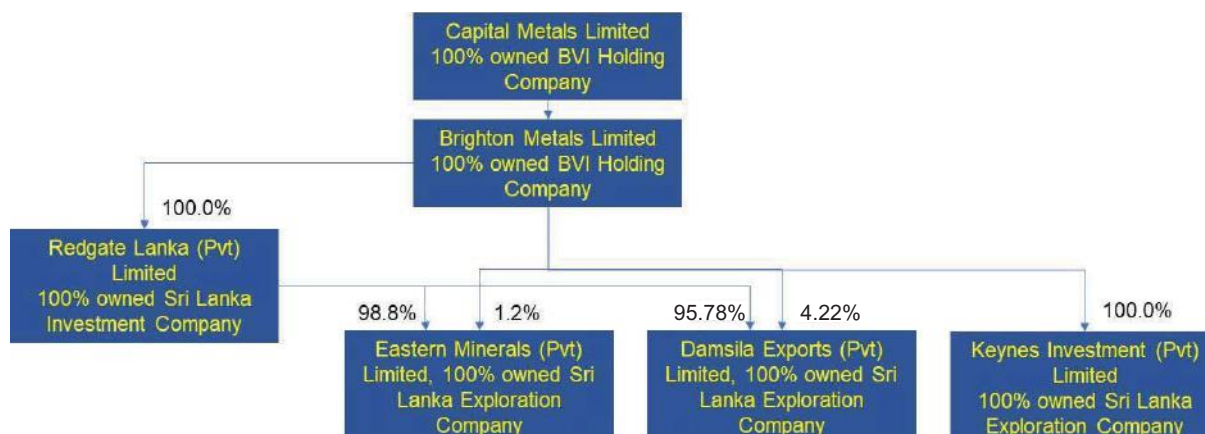
Since 11 June 2020 Equatorial Palm Oil has been an AIM Rule 15 cash shell. It has no trading businesses, and as such, is required to make an acquisition, or acquisitions, which constitute a reverse takeover under AIM Rule 14 within six months from 11 June 2020. Its only subsidiary is Equatorial Biofuels (Guernsey) Limited, which the Company is in the process of liquidating at no loss to creditors, as it is no longer required.

##### ***Capital Metals Limited***

###### History and Background

Capital Metals Limited is a company limited by shares, incorporated on 18 September 2015 in the British Virgin Islands under the name Lion Metals Limited. It subsequently changed its name to Capital Metals Limited on 25 September 2015. The principal legislation under which CML operates is the BVI Companies Act and the regulations made thereunder. CML acts as a holding company for one BVI subsidiary and four Sri Lankan subsidiaries. CML is the parent holding company which owns, directly or indirectly, 100 per cent. of its subsidiaries; Brighton Metals Limited (BVI) and Redgate Lanka Limited (Sri Lanka) which between them owns 100 per cent. of the Sri Lankan operating companies including Damsila Exports (Pvt) Limited (“**DEL**”) and Eastern Minerals (Pvt) Limited (“**EML**”) and also a dormant subsidiary named Keynes Investments (Pvt) Limited (Sri Lanka) (together with CML and its subsidiaries hereinafter referred to as the “**CML Group**”).

A CML Group structure chart is set out below:



##### The Eastern Minerals Project

In April 2016 CML (via its subsidiaries) acquired 100 per cent. of DEL and EML, the entities which have owned the exploration licenses that comprise the Eastern Minerals Project (“**EMP**” or “**Project**”). The EMP (originally called the Pottuvil or Oluvil Mineral Sands Project) is located in the Ampara District of the Eastern Province of Sri Lanka, approximately 220 km east of Colombo. The EMP comprises the Project Licenses which cover 84 sq. km. An additional nine applications have also been made in respect of new exploration licenses covering a further 623 sq. km. The EMP is divided into two sub-project areas:

- the northern area (Eastern North), was held by DEL through exploration license EL168/R/4 which expired on 31 October 2020 (the “**DEL License**”) and which is now subject to the IML Applications; and
- the southern area (Eastern South) was (and, following renewal, will be) held by EML through exploration license EL199/R/4 (the “**EML License**”).

### Outstanding Consideration and CML Obligation to Allot Shares

Under the DEL Share Sale Agreement and the EML Share Sale Agreement certain deferred payments totalling \$1,375,000 remain outstanding from BML to the DEL Vendors and EML Vendors respectively as follows:

- the sum of \$312,500 payable in cash is due to the DEL Vendors on completion of the Feasibility Study (by either DEL or EML);
- the sum of \$375,000 payable in cash is due to the DEL Vendors once commercial production commences pursuant to any IML granted over all or part of the DEL License area or the EML License area;
- the sum of \$312,500 payable in cash is due to the EML Vendors on completion of the Feasibility Study (by either DEL or EML); and
- the sum of \$375,000 payable in cash is due to the EML Vendors once commercial production commences pursuant to any IML granted over all or part of the EML License area or the DEL License area.

Further details of the DEL Share Sale Agreement and the EML Share Sale Agreement are set out in paragraphs 13.20 and 13.24 of Part VIII of this document.

In addition, under the DEL Introduction Agreement and the EML Introduction Agreement, BML is required to pay an aggregate amount of \$2,250,000 to RGD1 (or its nominees). These payments are to be satisfied by the issue of shares in CML as follows:

- in respect of the DEL Introduction Agreement:
  - the sum of \$562,500 to be satisfied by the issue of CML shares on completion of the Feasibility Study (by either DEL or EML) ;
  - the sum of \$562,500 to be satisfied by the issue of CML shares once commercial production commences on any IML granted over all or part of the DEL License area or the EML License area; and
- in respect of the EML Introduction Agreement:
  - the sum of \$562,500 to be satisfied by the issue of CML Shares on completion of the Feasibility Study (by either DEL or EML);
  - the sum of \$562,500 to be satisfied by the issue of CML shares once commercial production commences on any IML granted over all or part of the EML License area or the DEL License area.

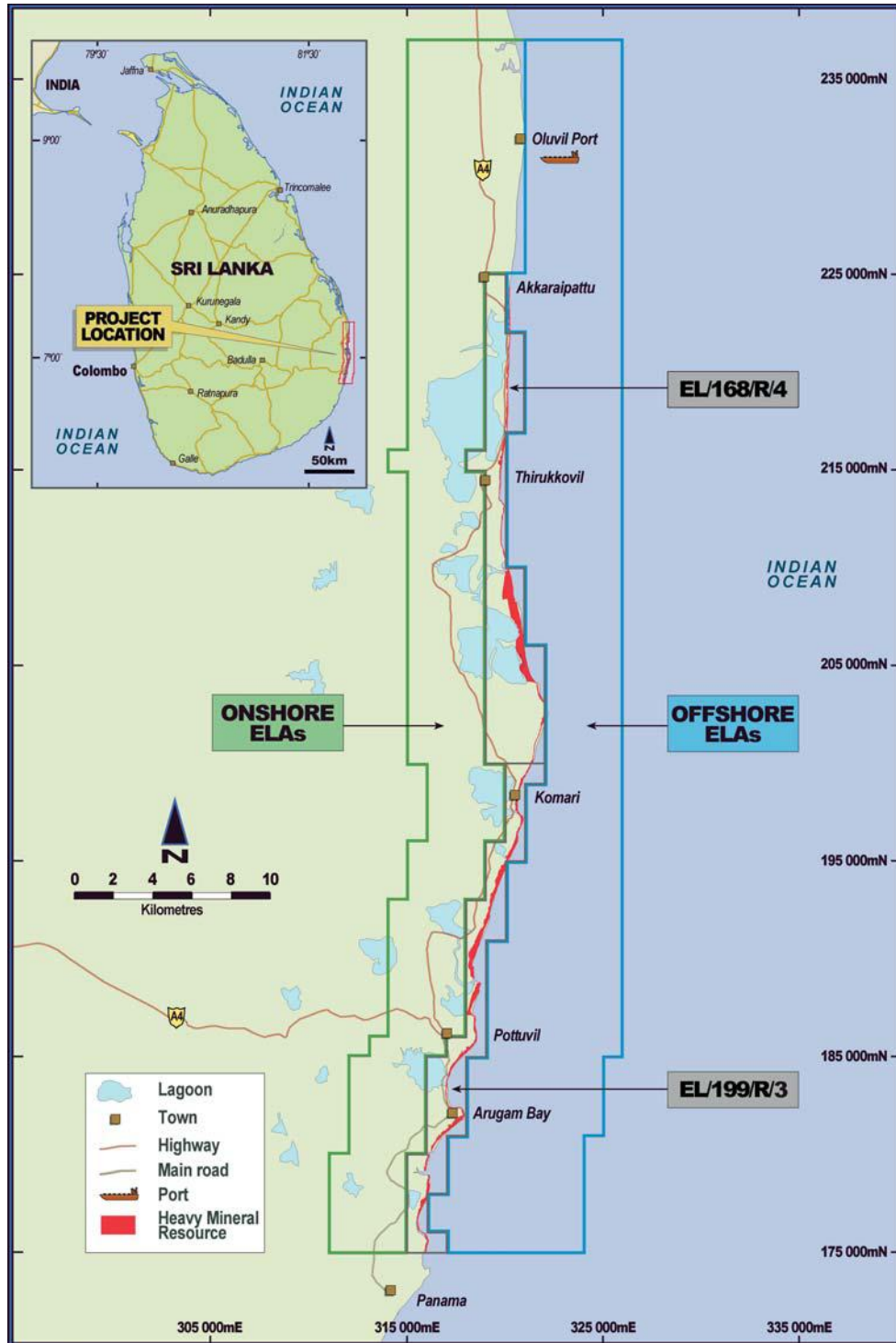
When these shares are issued by CML, the Company's shareholding in CML will be diluted. The extent of this dilution cannot be determined at this stage as the issue price of the CML Shares will be at a price per share (i) at which CML Shares were issued in the latest private placement or fundraising prior to such payment date; or (ii) if a third party valuation of CML has been obtained by CML, the price per share determined by that valuation, whichever is higher.

### Overview on Regulatory Regime in Sri Lanka

Under the Mines and Minerals Act a license is required for any person to explore for, mine, transport, process, store, trade in or export any mineral. The GSMB is the body empowered to issue such licenses.

An exploration license grants to the holder of the license the exclusive right to explore for all mineral categories authorized by the license. Each license specifies the limit of the land area and extent for which the license is granted, the mineral in respect of which the license is granted, the duration of the license and the conditions subject to which the license is granted.

An industrial mining license grants to the holder of the license the entitlement to explore for mine, wash, clean, mechanically break, sort, store, trade in those authorized minerals mined within the area specified in the license. Each IML/IML Application will be over land described by reference to a ground survey plan specifying the boundaries of the area to be covered by the license.



Source: Capital Metals Ltd

The deposit within the area covered by the Project Licenses consists of active coastal sand and older sand berms that form a continuous strip of sand with concentrations of heavy minerals and has been defined over a strike length of 49 km by 1,643 shallow auger drill holes. The total heavy mineral (“THM”) component of the mineral sand deposit consists of Valuable Heavy Minerals (“VHM”): ilmenite, leucoxene, altered ilmenite, rutile, zircon, garnet and sillimanite. The sand component is composed predominantly of quartz with a small percentage of feldspar.

The EML License was (and, when renewed, will be) held through a wholly-owned Sri Lankan private limited company, EML. In addition, the DEL License was also held through a wholly-owned Sri Lankan private limited company, DEL, which is also the applicant pursuant to the IML Applications.

### DEL License

The DEL License was first issued to DEL on 5 June 2010 and had previously been renewed on 6 July 2012, 17 September 2014, 1 November 2016 and 31 October 2018. The DEL License expired on 31 October 2020. The forms of application that are included in the regulations issued under the laws of Sri Lanka have been formulated to indicate that the fourth renewal of an exploration license is the final application that may be made for renewal of an Exploration License. On 28 April 2014 DEL submitted its first formal application for an Industrial Mining License (“**IML**”) over 111.5221 hectares located within the DEL License area (“**First IML Application**”) and such application is currently pending. In connection with this application, an environmental impact assessment (“**EIA**”) report was submitted to GSMB on 26 September 2019. The EIA review and approval process was delayed earlier this year due to COVID-19 causing greatly reduced Government activity. The EIA report was resubmitted to the CCD in October 2020 and the Directors believe the report will be made available for its 30 business day consultation shortly.

In October 2020, DEL made a further 5 applications over land included in the DEL License area (the “**Additional IML Applications**”).

The GSMB has represented to DEL that, following the expiry of an exploration license, the GSMB in practice, allows the former exploration license holder for a period of two years from the date of expiry:

- Exclusive right over the former exploration license area to submit further IMLs should the former license holder wish to do so (in this case DEL, in respect of the DEL License area); and
- Exclusivity over the former exploration license area by refraining from accepting applications for any new exploration licenses from third parties.

Such representations have also been made verbally by the Registrar of the GSMB to the Company’s Sri Lankan counsel, however these practices are not provided for in any published guidelines, policy documents, regulations or statutes to support such representation.

Notwithstanding the representations given by the GSMB, upon expiry of the DEL License, DEL will not hold any exploration rights in respect of the area covered by the DEL License until such time as an IML is granted.

### EML License

The EML License was first issued to EML on 18 April 2012 and was renewed three times on 17 September 2014, 1 November 2016 and 31 October 2018 prior to its expiry on 31 October 2020. The fourth renewal was applied for in October 2020 and is expected to be granted soon. As a result of COVID-19, the government in Sri Lanka has been operating at reduced capacity causing a delay in this process and EML is working with the GSMB in order to obtain this renewal as soon as possible. Following expiry of the EML License, EML will not hold any exploration rights in respect of the area covered by the EML License until such time as a renewal is granted. EML has not yet applied for an IML in respect of the EML License, however the Board intends to make such application in the 24 months period following the date upon which the EML License is renewed.

Since September 2016, DEL and EML have made nine additional exploration license applications, covering an area of 623 sq. km., surrounding EL 168 and EL 199 both onshore (over 272km<sup>2</sup>) and offshore (over 351km<sup>2</sup>), to cover interpreted extensions to the mineral sands’ deposits. The Company will consider the appropriate time to recommence the application process for these ELs.

The total EMP license package, including applications, is summarised below:

Tenement number	Project area	Registered holder	Interest	Area km <sup>2</sup>	Status
EL199/R/3 (or 4)	Eastern South	EML	100%	37	Exploration
COM/EL/2017/199	Eastern North	DEL	100%	60	Application
COM/EL/2018/1101	Eastern North	DEL	100%	24	Application
COM/EL/2017/201	Eastern North	DEL	100%	79	Application
COM/EL/2017/202	Eastern South	EML	100%	79	Application
COM/EL/2017/203	Eastern South	EML	100%	83	Application
COM/EL/2017/207	Eastern North	DEL	100%	50	Application
COM/EL/2017/209	Eastern North	DEL	100%	100	Application
COM/EL/2017/208	Eastern North	DEL	100%	48	Application
COM/EL/2017/210	Eastern South	EML	100%	100	Application
EL/168/R/4	Eastern North	DEL	100%	0.134	IML Application
EL/168/R/4	Eastern North	DEL	100%	0.052	IML Application
EL/168/R/4	Eastern North	DEL	100%	0.127	IML Application
EL/168/R/4	Eastern North	DEL	100%	0.048	IML Application
EL/168/R/4	Eastern North	DEL	100%	0.172	IML Application
EL/168/R/4	Eastern North	DEL	100%	1.115	IML Application

#### *History of Exploration and Technical Work*

In 2014, DEL and EML (prior to the CML's ownership of these companies) entered into a memorandum of understanding with technical consultants RGD1 whereby RGD1 provided technical and commercial management, including preparation of a preliminary scoping study (the "**Scoping Study**"). Technical work undertaken on the Project from 2014 to April 2016 included various drilling programmes, Mineral Resource Estimates and the Scoping Study for the Project, after which Brighton Metals Limited (a CML wholly-owned company) acquired DEL and EML.

In June 2016, RGD1 (on behalf of DEL and EML) concluded the Scoping Study, including a Mineral Resource Estimate based on the drilling and sampling work to date. Preliminary assumptions for operating costs and recoveries that were assessed during the Scoping Study were in turn benchmarked against similar mineral sands projects. The Scoping Study reported above at a 5% total heavy metal ("**THM**") cut-off is 17.2 Mt at 17.6% THM with contained THM of in excess of 3 Mt. CML estimates the components of the THM assemblage is as follows:

VHM Product	VHM % THM	VHM % of Insitu Ore	2020 price US\$/t <sup>2</sup>	% of Value
Ilmenite <sup>1</sup>	47.1	8.3	230	51
Zircon	5.0	0.9	1,250	20
Rutile	3.4	0.6	1,100	14
Garnet	22.7	4.0	200	15

1 The ilmenite 2020 price US\$/t is the estimate for ilmenite only and does not include the price for other Titanium Dioxide. The % THM of Insitu Ore and % of Value figures for ilmenite all include other Titanium Dioxide

2 Capital Metals Limited estimate

The EMP deposit has been defined by 1,643 shallow auger drill holes totalling 2,621 metres of drilling. The drilling was completed over a number of programmes between 2012 and 2015, firstly by GSMB on behalf of DEL and EML, and then by RGD1. Further drilling conducted by CML in 2018 which confirmed that the resource extended at depth.

A bulk sampling program was undertaken by CML between December 2016 and July 2017 whereby a total of 42 undisturbed sand samples were taken from 14 pit locations across the project area. Three samples were taken from each pit in varying THM grade material (high, medium, and low grade). CML then commissioned detailed bulk sample metallurgical work at Mineral Technologies (a Downer Group company) on the sample areas for the design of process flow sheets from the results of the metallurgical evaluation. This sampling programme enabled CML to characterize product types and quality which have been used in discussions with potential off-takers.

#### JORC Code Estimate Resources

Optiro Pty Limited (“**Optiro**”), a mineral resource consulting and advisory group, has reviewed the documentation provided for the EMP resource model in June 2016. As part of this review, visual validation of the block model was carried out by examining cross-section and plan views of the drill hole data and the estimated block grades.

In Optiro’s opinion, the Mineral Resource models developed for Eastern North and South provide a realistic estimation and classification of the global Mineral Resources as summarised below:

<b>Deposit</b>	<b>Classification</b>	<b>Tonnes (Mt)</b>	<b>THM grade (%)</b>	<b>Contained THM (kt)</b>
Eastern North	Measured	3.16	21.9%	691
	Indicated	3.04	18.3%	555
	Inferred	0.71	19.9%	141
	<b>Total</b>	<b>6.91</b>	<b>20.1%</b>	<b>1,388</b>
Eastern South	Measured	2.66	17.6%	468
	Indicated	5.57	15.8%	877
	Inferred	2.08	14.6%	304
	<b>Total</b>	<b>10.30</b>	<b>16.0%</b>	<b>1,649</b>
<b>Total</b>	Measured	5.82	19.9%	1,159
	Indicated	8.60	16.6%	1,432
	Inferred	2.79	16.0%	446
	<b>Total</b>	<b>17.21</b>	<b>17.6%</b>	<b>3,037</b>

*More detail is set out in the Competent Person’s Report in Part III of this document.*

### **Operations of the Enlarged Group**

#### Summary of Work Programme

CML has prepared a Work Programme for 2021. The principal purpose of the Placing is to raise funds to undertake a Development Study and further its work programme (the “**Work Programme**”). The principal aims of the Work Programme are to obtain all necessary permits to allow for conversion of the IML Applications to IMLs and commence engineering and planning studies to facilitate financing and off-take agreements.

The Work Programme can be broken down into four phases as outlined below (the Placing proceeds are sufficient for completion of Phases I and II.):

#### Phase I

The Enlarged Group’s priority is to complete the Environmental Impact Assessment (“**EIA**”) approval process with the Sri Lankan regulators, along with other technical activities and community awareness, in order to procure the IML resulting from the First IML Application. CML commissioned the compilation of the requisite (300 page) EIA report (the “**EIA Report**”), which was prepared by an independent and multi-disciplinary team of consultants and the EIA Report was based on the results of the GSMB submitted Technical Work Report together with required additional information gathered during the EIA field study with assistance from CML, and submitted to the Coast Conservation and Coastal Resources Department (“**CCD**”) for initial review. The EIA Report covered

coastal geomorphology, water quality studies, air quality studies, ecological studies, archaeological studies and land use studies as well as detailed social and community engagement in the Project area. The Enlarged Group intends to continue this engagement throughout the Project and will ensure that there is ongoing consultation and awareness programmes available for the community.

The EIA was lodged with the CCD in September 2019. The CCD, together with all the government agencies that are expected to directly or indirectly have oversight of the Project, has since carried out an inspection of the area within the EIA study. The CCD has compiled feedback from these agencies to be included in the EIA Report ahead of being submitted for a 30 day public consultation period and a 30 day technical review period, the purpose of which is to identify whether there are any further matters for CML to consider. Once any identified matters, if any, are resolved, the CCD can approve the EIA. An approved EIA is required by the GSMB in order to approve the First IML Application (for the DEL License) for the Project, which the Directors expect to receive by the end of Q1 2021.

Following Admission, the Enlarged Group intends to obtain land access agreements for the initial mining area at the Project. To this end, discussions with relevant land owners continue. On top of this, the Enlarged Group intends to complete an updated scoping and development study ("**Development Study**") to enhance their technical understanding prior to full commercial development of the Project. The Enlarged Group will appoint an independent consultancy to prepare the Development Study which will include an economic analysis of the parameters and returns for the Project. The Directors estimate that this study will take up to 6 months to complete.

CML has identified potential areas that could be drilled to increase the total resource.

Following approval of the First IML Application, the Enlarged Group will seek ancillary permits for construction of mining and processing facilities for the Project. Such ancillary permits relate to, but are not limited to, power and water, transport, port access and usage (including dredging approval), and waste disposal.

### Phase II

Once the initial IML has been granted pursuant to the First IML Application in respect of part of the DEL License area, the Enlarged Group will have further discussions to agree off-take agreements with potential customers such as resource trading companies as well as end user consumers of mineral sands products such as pigment and ceramic producers. The Enlarged Group intends to provide samples to these potential customers to support the off-take discussions. They will also engage in further studies on the optimum process flowsheet and the final product quality of the ilmenite, rutile, zircon and garnet for marketing purposes.

The Company will also commence arrangements to source the necessary funding requirements (of up to \$35 million (£26.2 million)) needed to take the Project to production in Phases III and IV. The Directors expect this will comprise a mixture of debt finance, equity and advance payments from off-take customer(s). The Directors believe that once the initial IML pursuant to the First IML Application is obtained, the Company will be in a stronger position to negotiate terms for off-take agreements and project finance. The Directors believe that being admitted to trading on AIM will provide a broader range of financing options.

The Enlarged Group will further its discussion with the Sri Lanka Ports Authority ("**SLPA**") in order to locate some of the proposed processing plants (described in Phase III below) and use the facility as its point of shipping once mining commences. As the port has been underutilised for some time, it is expected that discussions with the SLPA will also include the Enlarged Group assisting with port upkeep.

### Phase III

The Enlarged Group will use additional funds raised in Phase II to provide for the following:

- i. Construction of the "wet" plant – this is used to separate the heavy minerals from the silica sands, to create a Heavy Mineral Concentrate ("**HMC**"). It will be located adjacent to the mine;
- ii. Construction of the "dry" separation plant – this will be used to separate out the valuable HMC (comprising rutile, zircon, garnet, ilmenite) from non-valuable silica sands for restoration. It is proposed to be located at the local port (Oluvil); and

- iii. to settle the first tranche of deferred consideration, payable in connection with the acquisition of DEL and EML, which is triggered by the completion of the Feasibility Study. This amounts to \$625,000 (further details as outlined in paragraphs 13.20 and 13.24 of Part VIII).

In addition, following completion of the Feasibility Study, an amount of \$562,500, payable in shares in Capital Metals Limited, is due to be paid by CML under the DEL Introduction Agreement, as set out in paragraphs 13.18 and 13.19 of Part VIII of this document and an amount of \$562,500, payable in shares in Capital Metals Limited, is due under the EML Introduction Agreement, as set out in paragraphs 13.22 and 13.23 of Part VIII of this document.

**Phase IV**

Commercial production will start once the Enlarged Group has obtained the IML, the ancillary permits and off-take agreements and the processing plants have been constructed and are operational. Further details regarding the EMP is set out in the Competent Person’s Report at Part III of this Document.

Commencing commercial production in respect of the DEL Licence area will trigger the second and last deferred payment of \$375,000 under the DEL Share Sale Agreement and will trigger the second and last deferred payment \$375,000 under the EML Share Sale Agreement.

Commencing commercial production will also trigger the second and last payment tranches of the DEL and EML Introduction Agreements. These amount in aggregate to US\$1,125,000 (further details are outlined in paragraphs 13.18, 13.19, 13.22 and 13.23 of Part VIII).

**Development Study & Economic Analysis**

As mentioned in Phase II above, a Development Study is planned to be commissioned following Admission, which should take up to 6 months to complete.

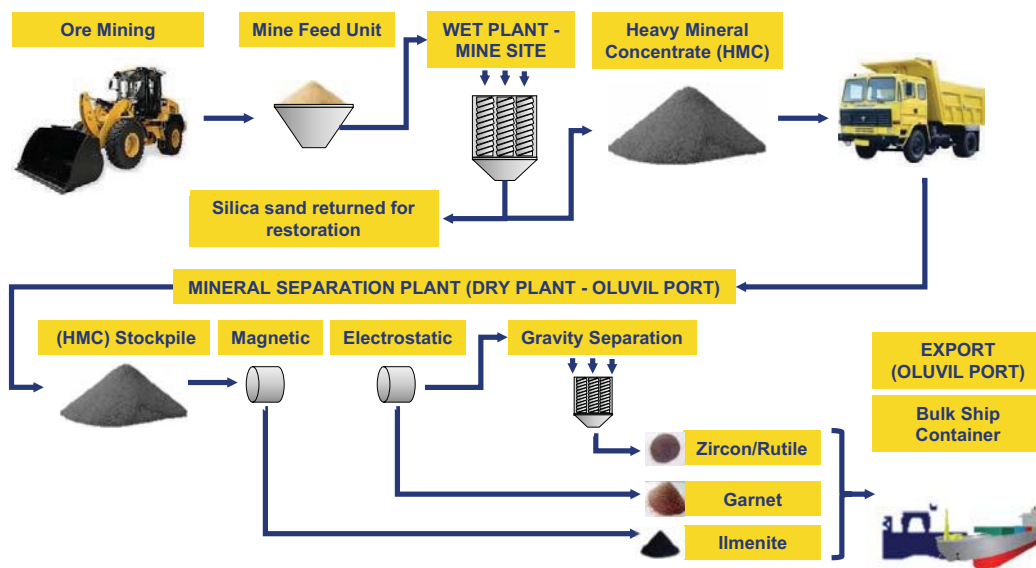
Based on all technical work completed to date, the Directors’ current expectations are that capex of approximately US\$35m (£26.2 million) will be required to commence mining operations. This is based on constructing a “wet” plant sited adjacent to the mine site, and a dry mineral separation plant at the port, to render the Company capable of processing c1.65Mt per annum.

Based on the Scoping Study, the infrastructure in place, and the nature of the THM deposits (high resource grade and mineral assemblage value) within the Project License areas, the Board expects the Project to be a low capex, high margin operation.

The Enlarged Group’s model for the Project yields a targeted IRR and cashflow margins in excess of 50%. This is a management target only, and is not intended to be a forecast.

**Extraction Process Flow Chart**

The work flows of the mining and separation process are set out below:



### **Infrastructure**

The Oluvil Port is a commercial and fishery harbour located some 32 km from the proposed site of the wet plant for the DEL Licence area; the port was opened on 1 September 2013 under the *Nagenahira Navodaya* (Reawakening of the East) programme.

The *Nagenahira Navodaya* programme was launched to expedite the development activities in the region and priority was given for the Oluvil Port as economic infrastructure and a catalyst for the growth of the eastern region of Sri Lanka. The commercial (cargo) section comprises 330 m quay at 8 m depth (design depth of 11 m).

In addition to the commercial harbour the port also has other key infrastructure including:

- sealed roads to port from the coastal deposits
- grid power
- scheme water
- office, workshop, storage facility and residential quarters
- perimeter security wall and fencing.

The commercial harbour has yet to be used and currently requires dredging of sand accumulations resulting from long-shore drift. The port offers more than adequate land and shipping capacity (8,000 to 10,000 t if harbour dredged to design depth of 11 m) for the Project's needs.

### **Mineral Sands' Products**

Mineral sands' deposits will typically contain a variety of valuable heavy minerals. The identified valuable heavy minerals in the EMP are zircon, rutile, ilmenite (including sillimanite and leucoxene) and garnet.

#### *Zircon*

Zircon is a high value product used in the ceramic industry for glazes and as an opacifier on kitchen and bathroom tiles, dinnerware and decorative ceramics. Industrial ceramics containing zircon are used in refractory applications requiring heat and corrosion resistance. A growing application of zircon is in the zirconium chemicals industry with a major use in catalytic converters to control motor vehicle emissions.

#### *Rutile and Ilmenite*

The titanium ores of rutile and ilmenite are primarily sold as feedstocks for down-stream processing sectors including titanium dioxide ("**TiO<sub>2</sub>**") pigment or titanium metal. Rutile has a very high titanium dioxide content (>90% TiO<sub>2</sub>) whilst in Ilmenite the grade is lower (40-60% TiO<sub>2</sub>). Depending on the metallurgical characteristics of the titanium ore, the downstream process route used to make pigment or metal may be synthetic rutile, slagging, sulphate or chloride pigment process.

#### *Titanium dioxide pigment*

Titanium dioxide pigment is a white pigment primarily used in the paint industry as it is non-toxic and has the ability to reflect and scatter all colours of light while absorbing ultraviolet light. It has replaced lead-based pigments in paints.

Titanium dioxide pigment is also used in the manufacture of certain plastics, paper, sunscreens, foodstuffs, cosmetics and toothpaste.

#### *Titanium metal*

Titanium metal is a light, inert and strong metal with a high melting point, which makes it ideal for use in heart pacemakers, artificial limbs/joints, spectacle frames and watches. Titanium metal is also used in rockets, jet aircraft and sporting equipment and when formed into an alloy with metals such as iron, manganese and aluminium, it can be used in power stations, paper mills, oil refineries and desalination plants.

## *Garnet*

Garnet sand is an excellent abrasive and a common, cost-effective replacement for silica sand in sand blasting. Mixed with high pressure water, garnet is used to cut steel and other materials in water jets. Garnet sand is also used for water filtration media.

## **Mineral Sands' Markets**

The industry is relatively tight in terms of producers, with the three main producers (Rio Tinto, Tronox and Iluka Resources) ("**Iluka**") accounting for approximately two thirds of global production of zircon and Titanium dioxide ("**TiO<sub>2</sub>**") feedstock (ilmenite and rutile).

The consumption of TiO<sub>2</sub> and zircon are closely linked to industrial and commercial applications with over half of the demand from the US and China. Therefore, the US and Chinese GDP and housing markets are key influences of demand for mineral sands products. Global demand has been impacted by the slowdown in global industrial activity. The demand for pigment feedstock has grown, potentially due to increased DIY and commercial painting during the COVID-19 period. Demand however has fallen in other industries such as aircraft manufacturing.

In recent years, Iluka Resources noted that global supply of rutile and chloride ilmenite was in decline due to a lack of new projects to fill the supply gap which has been compounded by a reluctance to invest in new mining projects in recent years.

The zircon market is dominated by three mature Australian and South African operations representing approximately 63 per cent. of global output. At the beginning of 2020, zircon supply was also expected to remain in material deficit as the continuing industrialisation of China and India puts stress on the existing market while declining grades and volumes at the main sources of mined supply continue to fall. Reduced industrial global activity has eased overall zircon demand.

## **Pricing**

Minerals sands' prices are decided by each buyer and producer typically through off-take arrangements. The commodities are not traded on any metals markets, therefore, pricing is more complex and will be determined by the quality of the material produced and the specification requirements of each buyer.

## **Zircon**

Global demand for zircon is mostly driven by the ceramics sector, which will underpin growth for the foreseeable future and result in zircon prices moving broadly in line with global GDP.

After a decline in zircon prices between 2011 and 2016 to approximately US\$810 per tonne, fears of supply bottlenecks led to a substantial recovery during 2017/18 with prices continuing to increase to over US\$1,500 per tonne in late 2019. The decrease in global GDP due to COVID-19 has seen the zircon price ease in 2020 with Iluka noting a drop in their average sale price to US\$1,354 per tonne. Future pricing will be linked to the global GDP post COVID-19.

(Source: Iluka Mineral sands industry info toolkit November 2019, and Iluka mid-year 2020 results presentation).

## **Garnet**

References to garnet for the Project are to "industrial" garnet (as opposed to "hard rock garnet", which is analogous to precious stones.) Alluvial garnet grains (industrial garnet) (herein referred to as "garnet") which are rounded are more suitable for blasting treatments. Mixed with high pressure water, garnet is used to cut steel and other materials in water jets ("**Water Jet Cutting**"). There are various kinds of abrasive garnets which can be divided based on their origin. The largest current source of abrasive garnet is garnet-rich beach sand of which the main producers are Australia and India. The Optiro report states that the Sri Lankan garnets are considered analogous to the Indian garnet sands. Garnet sand is also used for water filtration media.

Globally, the garnet market is mainly driven by growing demand for Water Jet Cutting, which accounted for nearly 37.86% of total downstream consumption of garnet in 2018. The worldwide market for Garnet is expected to grow at a compared annual growth rate of roughly 5.7% over the next five years, and will reach US\$528.3 million in 2024, from US\$400.3 million in 2019.

As there are many different type of specifications for abrasive garnet the price can vary between from \$130-\$560/t.

### ***Titanium Feedstock (ilmenite & rutile)***

Despite the global disruption in 2020, titanium feedstock prices have remained strong, one reason being the sustained demand for ilmenite by Chinese pigment producers.

Ilmenite prices are typically set on long-term contracts and vary depending on their usage for either sulphate or chloride process feedstocks, with sulphate ilmenite being the predominant product by usage. After a few years of price softness between 2013 and 2014, ilmenite prices have strengthened considerably and average prices were estimated to be around US\$165/t during 2017 and, with markets continuing to be driven by Chinese demand and increasing to approximately US\$220/t in 2020.

Rutile prices have also strengthened during 2020, despite COVID-19, with Iluka achieving an average weighted price of US\$1,246 per tonne in the first half of 2020, up 7% from H2, 2019.

## ***Overview of Sri Lanka***

### ***Country Overview***

Sri Lanka, officially the Democratic Socialist Republic of Sri Lanka, is an island country in the northern Indian Ocean off the southern coast of the Indian subcontinent in South Asia. Sri Lanka has maritime borders with India to the northwest and the Maldives to the southwest. The distance between the south-eastern tip of India and north-western Sri Lanka is only about 40 miles. Sri Lanka's total land area is approximately 25,330 square miles and it has a population of a little more than 21 million.

Sri Lanka is a republic and is governed by a semi-presidential system which is a mixture of a presidential and a parliamentary system. The nation's political capital is Sri Jayawardenapura Kotte and is a suburb of Colombo, the largest city and cultural capital of Sri Lanka.

Sri Lanka is a multi-ethnic and multi-religion island nation in the Indian Ocean, near the southern coast of India.

The country's largest ethnic group is the Sinhalese, who form about 74 per cent. of the population. The majority of the Sinhalese are Buddhists, with a Christian minority. The next largest ethnic group is composed of the Tamils who form 11 per cent. of the population, of whom the majority are Hindus. A civil conflict between the Government and the Tamil community, who sought an independent homeland for the island's Tamil minority, lasted more than 25 years and ended in May 2009, when Sinhalese government forces seized the last area controlled by Tamil Tiger rebels.

Presidential elections were held in Sri Lanka on 16 November 2019. The election was won with a clear majority by Gotabaya Rajapaksa of the SLPP party, who assumed office in January 2020. He replaced Maithripala Sirisena from the United National Party, who did not stand for re-election. Since the election, Mr Rajapaksa has named his brother, Mahinda Rajapaksa (the former President preceding Mr Sirisena), as the new Prime Minister. Given this change in Presidency, new parliamentary elections were held on 5 August 2020 and the incumbent SLPP party claimed a landslide victory, winning 145 seats out of a possible 225 seats.

Sri Lanka is endowed with a variety of mineral resources which are commercially extracted, including feldspar, clays, dolomite, graphite, limestone, mica, mineral sands and salt. Sri Lanka is known for its unique type of graphite, which is called vein graphite. In 2016 the Mineral Industry of Sri Lanka confirmed that, the mineral-processing industry produced cement, lead (secondary), iron and steel and the Company believes that this continues to be the case.

### ***Regulatory Framework in Sri Lanka***

The legal framework of Sri Lanka is based upon a mixture of laws from Rome, England, Holland, South India and old Ceylon.

The Sri Lankan judicial system has the Supreme Court as the apex court of the nation followed by the Court of Appeal, High Court, District Courts, Magistrates' Courts and Primary Courts. The Constitution of the Democratic Socialist Republic of Sri Lanka provided for an independent judiciary and guaranteed fundamental rights that allow for any aggrieved person to invoke the Supreme Court for any violation of their fundamental rights. The Constitution also provided for a Parliamentary

Commissioner for Administration (Ombudsman) who can investigate public grievances against government institutions and state officers and give redress. It also introduced referendums on certain bills and on specific issues of national importance.

The development of mineral resources is governed by the Mines & Minerals Act No.33 of 1992, the Mines & Minerals (Amended) Act No.66 of 2009 and the Mining (Licensing) Regulations No. 1 of 1993 (Gazette 794/23) and revisions thereafter. Under the Mines and Minerals Act, the GSMB issues Exploration, Mining, Trading and Transport Licenses.

An Exploration License grants the license holder the exclusive right to explore for all mineral categories authorised by the license. The Mining (License) Regulations (No 1 of 1993) Amendment dated 10 October 2005 (No. 1418/27) state that the minimum technical expenditure amount per square kilometre on an Exploration License is initially LKR 20,000/year increasing through subsequent years over the license duration.

There are two categories of Mining Licenses, namely artisanal (“**AML**”) and industrial (“**IML**”). There is a procedural standard in place for the transition from an Exploration License to a Mining License should exploration activities be successful.

Applications for Exploration Licenses and Mining Licenses are processed in accordance with established procedure and practices of the GSMB. No specific procedure is prescribed by the Mines and Minerals Act or any other statute. There is also no stipulated time frame within which the GSMB is required to make a determination on an application for a license. The GSMB is required by law to refer every application for an IML to other government agencies for clearance by such agencies before issuing an IML. Such government agencies may include in the clearance letters issued by them various conditions to be complied with by the applicant prior to the issue of the IML and / or during the continuation of the IML.

Some such government agencies to whom the GSMB is required to refer the applications for clearance could be the CCD, the Urban Development Authority, the Forest Department, the Department of Wild Life Conservation, the Department of Archeology, the area Local Authority, and any other agencies which the GSMB considers it appropriate to refer the application to. For instance, if a facility for processing or any other activity is to be set up and that facility is to be established on lands falling within the purview of the Urban Development Authority, then such authority will stipulate various conditions to be satisfied prior to granting of the IML. Mineral Sand mining is conducted in the coastal zone as defined in the Coast Conservation Act. Therefore the CCD always stipulates conditions to be satisfied prior to the issuance of an IML, which is why DEL is presently going through the approval process with the CCD.

The Mines and Minerals Act also provides that the holder of a license has the right to enter and possess any area of land specified in the license provided that where the owner or state organization of any such area of land is in possession of such area of land the holder of the license shall not exercise such rights except with the consent of such owner or state organization. Accordingly, DEL will require permits from certain state organizations to enter lands owned by them in order to carry on mining activities. In addition, a Local Trading Permit is required to be obtained from the Local authority of the area in which the mining activities are conducted. Such permit is renewable every year. Certain of the land subject to the IML Applications is privately held and DEL has entered into exploration agreements with landowners in order to carry on exploration activities pursuant to the DEL License. In order to conduct mining activities on those lands, DEL will need to enter into lease agreements with those landowners.

An Industrial Mining License grants to the license holder the entitlement to explore for mine, wash, clean, mechanically break, sort, store, trade in those authorized minerals mined within the area specified in the license and Industrial Mining License. The category of IML applied for by DEL would also grant to DEL, with special authorization of the GSMB, the entitlement to export those authorized minerals mined within the area specified in the license, subject to the terms and conditions imposed by the GSMB.

The holder of an IML (in the category applied for by DEL) should within a period of eighteen (18) months of granting of an IML commence commercial production. Where the holder of the IML is unable to commence commercial production within the specified time period, an extension to commence such commercial production may be negotiated with the GSMB. Failure to commence

commercial production within the specified time period of 18 months or within such extended period as may be granted by the GSMB will result in termination of the IML.

A Trading License grants the non-exclusive right to purchase, store, process, trade in and with the special authorisation from the Director of the GSMB to export minerals in respect of which the license is issued.

All exploration, mining and trading licensees are required to obtain the special authorisation of the Director of the GSMB to export minerals in respect of which the license is issued.

A license to transport mineral-bearing substances or minerals is required for such quantity and period and for such minerals as may be specified in such license. All Exploration, Mining and Trading Licenses require a Transport License to transport mineral-bearing substances or minerals.

#### Transparency and environment

Sri Lanka has a comprehensive environmental legislative framework that includes a prescribed process and procedure for mining permitting and associated approvals based on an IEE and an EIA. CML is issued a Terms of Reference (“**TOR**”) or Table of Contents for the assessments and all matters referred to in the IEE and/or EIA TOR must be addressed.

The TOR contains standard EIA Sections and Annexures addressing a description of the project; the mine and production plan; the existing environment and anticipated environmental impacts; monitoring programmes and mitigation plans; and conclusion and recommendations. The Annexures address any comments during community consultations and public awareness programmes, and all maps and plans.

A project EIA will be assessed at central government, provincial and private level and will need to encompass all aspects of the project.

#### Fiscal provisions

Mining royalties are levied by the Sri Lankan government through the GSMB at the rate of seven per cent. of revenue (for exported products) and the corporate tax rate is 14 per cent.

The Sri Lanka Export Development Board (“**EDB**”) applies a CESS Export Levy on all exports on a per tonnage basis including currently 1,650 LKR/t on ilmenite, 2,200 LKR/t on rutile and 550 LKR/t on zircon. With regard to garnet, CML is currently in discussion with the EDB and GSMB to seek clarity on what appears to be an incorrect rate of 24,200 LKR/t. The EDB have suggested this may potentially be a typographical error (from LKR2,420) and CML continues to pursue the matter with these two authorities. At present, there are no other royalties payable relating to the Project.

## **5. DIRECTORS, PROPOSED DIRECTORS AND KEY MANAGEMENT**

Brief biographical details of the Existing Directors, Proposed Directors and senior management are set out below:

### **5.1 Existing Directors**

#### **Michael Frayne – Executive Chairman (aged 53)**

Michael holds a Bachelor of Commerce Degree majoring in accounting and finance, a Bachelor of Science Degree majoring in Geology and a Postgraduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. He is a Chartered Accountant and a member of the Australian Institute of Mining and Metallurgy. Michael previously worked for Ernst & Young and consulted to a number of resource and commodity companies. Following this, he worked directly in the resource industry and spent time at Great Central Mines Ltd (now part of Newmont Ltd) and in the corporate team at Minara Resources Ltd (formerly Anaconda Nickel Ltd). Since 2002, Michael has provided corporate management and advice to resource, commodity and energy companies some of which are listed on AIM and the Australian Stock Exchange, with projects in Australia, Africa, Asia, North and South America. It is proposed that Michael moves to become Chief Executive following Admission.

### **Geoffrey Brown – Non-Executive Director (aged 80)**

Geoffrey Brown has over 55 years' experience in the plantation sector. He joined Harrisons & Crosfield plc in Malaysia in 1962 where he was employed on various estates growing oil palm and rubber. He moved to Indonesia in 1976 and was made responsible for Harrisons & Crosfield's interests in that country. He was appointed Executive Chairman of London Sumatra Indonesia in 1982 and remained Managing Director of this large Indonesian plantation company until 1998. In 1990, he was appointed an Executive Director of Harrisons & Crosfield Plc, responsible for the plantation division. Harrisons & Crosfield Plc owned and managed plantations of rubber, oil palms, cocoa, coffee and tea in Indonesia, and oil palm and coffee in Papua New Guinea. He remained an Executive Director of Harrisons & Crosfield Plc until the company divested itself of its plantation interests in 1994. In 1999 and 2000, he co-ordinated the expansion of oil palm plantations belonging to the Musim Mas Group in Indonesia and then became a consultant specialising in plantation management. In 2006 he joined the Equatorial Palm Oil group of companies and was an Executive Director of the Company from 2008 until 2019 at which time he became a non-executive director.

### **Teh Kwan Wey – Non-Executive Director (aged 38)**

Mr Teh Kwan Wey was appointed as a Non-Executive Director of the Company in September 2020. He is General Manager (Corporate) for KLK in Malaysia where he is responsible for in house corporate finance advisory and execution including acquisitions, divestments, fund raising and due diligence. Prior to this Mr Teh spent three years at Lazard in the London Financial Advisory team where he worked on a number of equity capital, M&A and LBO transactions for clients across Europe, North America, the Middle East and Asia. Mr Teh holds a Master of Engineering degree from Imperial College London.

## **5.2 Proposed Directors**

On Admission, the following individuals will be appointed to the Board.

### **Gregory Martyr, Non-Executive Chairman (aged 56)**

Greg is an experienced resource industry banker, advisor and corporate executive. He has over 30 years' experience in resources investment banking and corporate finance, as well as the management of international mining companies. He is also on the board of Euro Manganese Inc. and Carbon Dynamics Group P/L. From 2011 to 2016, Greg was a Managing Director with Standard Chartered Bank ultimately as the Global Head of Advisory, Mining and Metals. From 2005 until its 2011 acquisition by Standard Chartered Bank, he was a partner with Gryphon Partners, a boutique resource advisory firm and from 1994 to 2003, he was employed in several executive roles by Normandy Mining Ltd., including President, Americas. Prior to that he held positions with Deutsche Bank and Morgan Grenfell. Greg obtained a Bachelor of Economics and a Bachelor of Laws from the University of Sydney, Australia.

### **Anthony Samaha, Finance Director (aged 53)**

Anthony Samaha is a Chartered Accountant who has over 25 years' experience in accounting and corporate finance, including resources development. Anthony worked for over 10 years with international accounting firms, including Ernst & Young, principally in corporate finance, gaining significant experience in valuations, IPOs, independent expert reports, and mergers and acquisitions. He has over 15 years' experience in the listing and management of AIM quoted companies, including the accounting and financial management, fund raisings, project development and mergers and acquisitions. Anthony has been involved in acquisitions and resource projects in various regions of the world, including Australia, West Africa, North America, Kazakhstan and the People's Republic of China. He holds Bachelor of Commerce and Bachelor of Economics degrees from the University of Western Australia and is a Fellow of the Chartered Accountants Australia and New Zealand and an Associate of the Financial Services Institute of Australasia. He is currently an executive director of AIM-quoted Reabold Resources plc.

### **James Leahy, Non-Executive Director (aged 59)**

Beginning his career at the London Metal Exchange ('LME'), Mr Leahy has spent the subsequent 34 years involved in stockbroking and commodities in a variety of roles, including research analyst,

equity salesman and specialist corporate broker, which covered mining finance, origination and distribution. He has worked on a wide range of projects worldwide, ranging from industrial minerals, coal, iron ore, precious metals, copper, diamonds, lithium, uranium, plantations, forestry and palm oil. Lately, he has employed his corporate governance skills, having gained substantial experience as an independent director on the boards of several quoted and unquoted companies. In addition, Mr Leahy has direct experience in capital markets, having worked at James Capel, Credit Lyonnais, Nedbank, Canaccord and Mirabaud, where he gained invaluable experience with international institutional fund managers, hedge funds, private equity and sector specialist investors. Additionally, Mr Leahy has been involved in many IPOs, as well as primary and secondary placings, and the development of junior mining companies through to production. He is currently a director of the listed fund Geiger Counter Ltd, AIM-quoted Savannah Resources Plc and AEG Plc.

### **5.3 Senior Management**

Details of key senior management within the Enlarged Group are set out below:

#### **Sandy Barblett, General Manager – Commercial (aged 53)**

Sandy Barblett has 25 years' experience in senior management roles with public companies including multi-nationals working in the UK, Australia, USA and Hong Kong. He has advised a number of companies in relation to general fund raising, admission onto public markets, strategy and management selection. He has a Bachelor of Business from Curtin University of Technology in Perth, Australia and a Bachelor of Laws from the University of Queensland; he previously worked for Minter Ellison as a solicitor. He is also a former director of AIM quoted Two Shields Investments plc (now called BrandShield Systems plc). Mr Barblett will leave the Company following Admission.

#### **Iranga Dunuwille, Country Manager (aged 46)**

Iranga Dunuwille is a member of the Chartered Institute of Management Accountants (UK) and holds an MBA from the University of Greenwich, London. Iranga has a broad range of finance experience over a twenty year career in Sri Lanka and London. Iranga commenced his career with Ernst & Young Sri Lanka & moved on to a large blue-chip conglomerate as an Accountant before then becoming a head of finance for a large manufacturer and exporter in Sri Lanka. In 2005 Iranga relocated to the UK and initially worked as a consultant focusing on regulatory compliance & AML before becoming a management accountant for a high-end shoe designer/manufacturer, Charlotte Olympia. Iranga relocated to Sri Lanka in 2016 and now manages all aspects of finance and administration functions of the Capital Metals group in Sri Lanka and is a director for the local subsidiary companies. He also acts as the Consultant CFO to one of the largest inbound tour operators in Sri Lanka.

#### **Sam Quinn, Corporate Manager & proposed Company Secretary (aged 43)**

Sam Quinn is a corporate lawyer with over 15 years' experience in the natural resources sector, in both legal counsel and executive management positions. Mr Quinn is currently a partner of Silvertree Partners, a London-based corporate services company dedicated to the natural resources sector and the Director of Corporate Finance and Legal Counsel for the Dragon Group, a London-based natural resources venture capital firm and, and holds various other positions in both listed and private natural resource companies. Prior to this, Mr Quinn worked as a corporate lawyer for Jackson McDonald Barristers & Solicitors in Perth, Western Australia and for Nabarro LLP in London. Mr Quinn graduated from the University of Western Australia in 1999 with a Bachelor of Laws and Bachelor of Arts and is a qualified lawyer in Western Australia and in England & Wales. It is proposed that Sam will become the Company's Company Secretary upon Admission.

The Company has identified the need for a technical manager who will be responsible for all operational (i.e. mining, processing, environmental) aspects of the Project which includes the implementation of the Development Study. A suitable individual has been identified whom the Company hopes to appoint following Admission.

## **6. CURRENT TRADING AND FUTURE PROSPECTS OF THE ENLARGED GROUP**

### ***Equatorial Palm Oil***

In May 2020, Equatorial Palm Oil disposed of its 50% interest in Liberian Palm Developments Limited which constituted a fundamental change of business of the Company under Rule 15 of the AIM Rules which was approved by shareholders at a general meeting held on 9 June 2020.

Following the general meeting, Equatorial Palm Oil became an AIM Rule 15 cash shell. At that time the Company had available cash resources of approximately £800,000. On 8 September 2020, following Shareholders' approval, the Company announced it had raised £400,000 (before expenses) in order to allow the Board to seek and identify potential acquisition opportunities. As at 30 September 2020, the Company's most recent year end, the net asset value of the Company was £1.136 million, equating to 0.249 pence per share.

### ***Capital Metals Limited***

Capital Metals Limited's core focus is the development of the Eastern Minerals Project in an efficient, sustainable and low-cost manner, by focusing on the establishment of a mining operation and associated mineral separation plant to produce mineral sands products for sale into the international markets. An Environmental Impact Assessment has been completed and lodged with the Sri Lankan authorities in September 2020, as outlined in paragraph 4 of this Part I.

## **7. FINANCIAL INFORMATION**

Historical financial information on the Company and on Capital Metals Limited is set out in Parts IV and V of this Admission Document. An unaudited *pro forma* net assets statement showing the hypothetical net assets of the Enlarged Group after the Acquisition is set out in Part VI of this Admission Document.

The accounting reference date for the Enlarged Group will be March. Therefore, should the Resolutions be passed at the General Meeting, the Company intends to change its accounting reference date from 30 September to 31 March following Admission.

## **8. CHANGE OF NAME**

Subject to Shareholders' approval of Resolution 8 as a special resolution, the name of the Company will be changed to Capital Metals plc, to take effect shortly following Admission. The Directors believe that the proposed new name better encapsulates the Enlarged Group's new business activity. It is the Board's intention that the trading names of the Enlarged Group's subsidiaries will not change post Admission.

If the special resolution to approve the change of name of the Company is passed at the General Meeting, the Company's AIM symbol will be changed to CMET and its website address will be changed to [www.capitalmetals.com](http://www.capitalmetals.com) following the Change of Name being registered at Companies House.

## **9. SHARE CONSOLIDATION**

It is proposed that, simultaneously with the other proposed Resolutions, the Ordinary Shares of £0.0001 will be consolidated into new ordinary shares of £0.002 each on the basis of one New Ordinary Share for every 20 ordinary shares of £0.0001 each.

Where the Share Consolidation results in any Shareholder being entitled to a fraction of a new Ordinary Share, such fraction shall be aggregated and the Directors intend to sell (or appoint another person to sell) such aggregated fractions in the market and retain the net proceeds for the benefit of the Company.

Existing share certificates (where shares are held in certificated form) will cease to be valid following the Share Consolidation. New share certificates in respect of the new Ordinary Shares will be issued on or around 27 January 2021. The new Ordinary Shares will be freely transferable, and application will be made for the new Ordinary Shares to be admitted to trading on AIM.

**One consequence of the Share Consolidation is that Shareholders holding fewer than 20 Existing Ordinary Shares will receive no new Ordinary Shares. This consequence is illustrated in the table below:**

<b>Number of Existing Ordinary Shares currently held</b>	<b>Number of New Ordinary Shares held</b>
19	—
20	1
200	10
2,000	100

To effect the Share Consolidation, it will be necessary to issue an additional 18 Existing Ordinary Shares so that the Company's issued ordinary share capital is exactly divisible by 20. These additional Ordinary Shares will be issued to the Registrar before the record date for the Share Consolidation. Since these additional shares would only represent a fraction of a New Ordinary Share, this fraction will be sold pursuant to the arrangements for fractional entitlements contained in the Articles.

## **10. PLACING AND SUBSCRIPTIONS**

### *Placing*

The Company has conditionally raised approximately £2 million (before expenses) by the issue of the Placing Shares at the Placing Price.

Under the Placing Agreement, Brandon Hill have conditionally agreed to use reasonable endeavours to procure subscribers for the Placing Shares. The Placing Shares will rank *pari passu* with the Existing Ordinary Shares (following the Share Consolidation) and the Consideration Shares. The Placing is not underwritten or guaranteed.

Placees will receive one Placing Warrant for every 2 Placing Shares subscribed in the Placing. The Placing Warrants have an exercise price of 15.6 pence per share, being a 30 per cent. premium to the Placing Price, and an exercise period of 2 years from the date of Admission.

Following their issue, the Placing Shares will represent approximately 9.7 per cent. of the Enlarged Issued Share Capital.

Further details of the Placing Agreement are set out in paragraph 13.11 of Part VIII of this Admission Document.

The Placing is conditional on, amongst other things: (a) the Placing Agreement having become unconditional and not having been terminated in accordance with its terms; (b) the Acquisition Agreement not having been terminated or amended, and having become unconditional in all respects; (c) the passing of the Resolutions and (d) Admission having become effective by no later than 8.00 a.m. on 13 January 2021 or such later time being no later than 6.00 p.m. on 28 February 2021, as the Company, SPARK and Brandon Hill may agree.

### *Subscriptions*

The Company proposes to undertake the Subscriptions to raise approximately £85,000 by the issue of the Subscription Shares at the Placing Price. The terms of the Subscription are identical to those of the Placing. This includes the Subscribers receiving one Placing Warrant for every 2 Subscription Shares subscribed in the Subscription.

The Subscription Shares will rank *pari passu* with the Existing Ordinary Shares. Following their issue, the Subscription Shares will represent approximately 0.4 per cent. of the Enlarged Ordinary Share Capital.

Further details of the Subscription Agreements are set out in paragraph 13.16 of Part VIII of this document.

The Subscriptions are conditional on the Resolutions being passed at the General Meeting and Admission having become effective by no later than 8.00 a.m. on 13 January 2021.

## **11. USE OF PROCEEDS**

The Enlarged Group intends to use the net proceeds of the Placing for the following purposes:

- to complete Phases I and II of the Work Programme, the principal aims of which are to obtain all necessary permits to allow for conversion of the DEL License to an IML and the commencement of engineering and planning studies to facilitate financing and product off-take agreements for final project construction and development;
- to increase the number of staff and consultants required to implement the Work Programme, together with the building out the marketing and finance operations of the Enlarged Group;
- to repay CML legacy creditors; and
- for general working capital purposes.

## **12. ADMISSION TO TRADING ON AIM AND DEALINGS IN THE ENLARGED ISSUED SHARE CAPITAL**

If all of the Resolutions are passed at the General Meeting, application will be made for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the New Ordinary Shares will commence on 13 January 2021. Definitive share certificates in respect of the New Ordinary Shares will be despatched on or before 27 January 2021.

No application has been or will be made for the Warrants to be admitted to trading on AIM.

The Ordinary Shares are capable of being settled in CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the requirements of CREST. The Articles permit the hold and transfer of Ordinary Shares to be evidenced in uncertificated form. Accordingly, settlements of transactions in Ordinary Shares may take place within the CREST system if the relevant shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificated will be able to do so.

The Ordinary Shares currently have the ISIN GB00B2QBNL29. The Ordinary Shares will not be dealt with on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any other such exchange. Following the Share Consolidation the Company will have a new ISIN, which will be GB00BMF75608.

SPARK, has been retained as the Company's nominated adviser and Mirabaud and Brandon Hill as joint brokers respectively in relation to Admission. Further details of SPARK's and Brandon Hill's engagements are set out at paragraphs 13.15 and 13.17 respectively of Part VIII of this Admission Document.

## **13. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS**

The Locked-in Parties (who will, in aggregate own 69,972,241 Ordinary Shares, being 40.6 per cent. of the Enlarged Issued Share Capital) have undertaken to the Company, SPARK and Brandon Hill that they will not dispose of any interest they hold in New Ordinary Shares for a period of 12 months following Admission and, for a further period of 12 months thereafter, they will only dispose of an interest in Ordinary Shares on an orderly market basis through the Company's then broker. Further details of the Lock-in Agreements are set out in paragraph 13.13 of Part VIII of this Admission Document.

In addition, it is a term of the Offer that each of the CML Vendors (other than the Locked-In Parties) shall be subject to a 3 month lock-in period where they will not dispose of any interest they hold in New Ordinary Shares for a period of 3 months following Admission without the Company's written approval. The only Consideration Shares that will not be subject to any lock-in provisions shall be those issued to CML Vendors in respect of CML Shares that were obtained pursuant to the conversion of bonds in CML prior to the Acquisition.

CML has not been independent and earning revenue for at least 2 years, therefore the Company, following Admission, is subject to the requirements of Rule 7 of the AIM Rules. All of the Directors and related parties, including substantial shareholders, have agreed, subject to the Lock-In agreement (as set out in paragraph 13.13 of Part VIII of this Admission Document) not to dispose of any interest in Ordinary Shares for a period of one year from Admission.

### *Relationship Agreement*

The directors of CML, Sandy Barblett (through Stanton Investments Limited), Anthony Eastman (through Tournesol Consulting Limited) and Sam Quinn will hold 32,809,854 Ordinary Shares on Admission, representing approximately 19 per cent. of the Enlarged Issued Share Capital. These parties have undertaken to the Company, SPARK and Brandon Hill that, for so long as they are interested in Ordinary Shares carrying 15 per cent. or more of the Company's voting share capital, they will not act to unduly influence the Company or its Board or otherwise interfere with the day-to-day management of the Company. Details of the Relationship Agreement are set out in paragraph 13.12 of Part VIII of this Admission Document.

## **14. SHARE OPTIONS AND WARRANTS**

The Company does not currently have any share options in issue at present.

### **Option Plan**

The Company intends to grant options to subscribe for new Ordinary Shares from time to time to incentivise directors, employees, and consultants at the discretion of the Directors and subject to the approval of the Remuneration Committee. Options granted to subscribe for new Ordinary Shares in this manner will be over approximately 10 per cent. of the Company's issued share capital from time to time in line with market standard practices (the "**Option Plan**"). The terms of such options shall be determined at the time of grant including any relevant vesting and performance conditions.

### ***New Options***

The Company intends to grant the following options to current and proposed Directors and key management of the Company, subject to Admission (the "**New Options**"):

<b>Name of Option Holder</b>	<b>Number of Options</b>	<b>Date of Grant</b>	<b>Expiry of Option Period</b>	<b>Exercise Price (pence)</b>
Michael Frayne.....	3,000,000	13 January 2021	13 January 2026	12
Anthony Samaha.....	1,500,000	13 January 2021	13 January 2026	12
Gregory Martyr.....	1,500,000	13 January 2021	13 January 2026	12
James Leahy.....	1,500,000	13 January 2021	13 January 2026	12
Teh Kwan Wey.....	500,000	13 January 2021	13 January 2026	12
Geoffrey Brown.....	500,000	13 January 2021	13 January 2026	12
Iranga Dunuwille.....	1,500,000	13 January 2021	13 January 2026	12
Roshan Akther.....	500,000	13 January 2021	13 January 2026	12
Rashmika Kothalawala.....	250,000	13 January 2021	13 January 2026	12
Sam Quinn.....	1,000,000	13 January 2021	13 January 2026	12
	<u>11,750,000</u>			

The New Options will vest in three tranches:

- Tranche 1 – the first one-third will vest on Admission
- Tranche 2 – the second one-third will vest six months after Admission; and
- Tranche 3 – the third one-third will vest 12 months after Admission.

For Tranche 2 to be exercised, the Enlarged Group's volume weighted average share price ("VWAP") must have traded at a 50% premium to the Placing Price for five consecutive days.

For Tranche 3 to be exercised, the Enlarged Group's VWAP must have traded at a 100% premium to the Placing Price for five consecutive days.

### ***Warrants***

At present, there are Broker Warrants outstanding over 5 million Ordinary Shares (of 0.01 pence) with an exercise price of 0.4 pence per share. Following the Share Consolidation, this will be 250,000 Broker Warrants each with an exercise price of 8 pence per share.

In connection with the Acquisition, the Company has agreed, subject to Admission, to issue the following Bondholder Warrants at an exercise price of 15.6 pence (a 30% premium to the Issue Price) to CML Vendors that acquired their CML Shares pursuant to the conversion of their Bonds:

<b>CML Vendor</b>	<b>Number of Warrants</b>	<b>Date of Grant</b>	<b>Expiry of Exercise Period</b>
One Design & Skiff Sails Pty Ltd ATF I W Brown Superannuation Fund...	666,666	13 January 2021	13 January 2024
Kemosabe Capital Pty Ltd.....	640,523	13 January 2021	13 January 2024
Magnus (Aust) Pty Ltd ATF .....	283,332	13 January 2021	13 January 2024
RAMK Ltd.....	208,332	13 January 2021	13 January 2024
Robert Millner.....	208,332	13 January 2021	13 January 2024
Bruce Warrington Holman .....	141,666	13 January 2021	13 January 2024
918 Investments.....	141,666	13 January 2021	13 January 2024
Holegata Pty Ltd, Holegata S/F A/C .....	83,333	13 January 2021	13 January 2024
Carpadeum Pty Ltd.....	49,998	13 January 2021	13 January 2024
	2,423,848		

In addition, Adviser Warrants over 833,333 Ordinary Shares will be issued to Brandon Hill in relation to the Placing, details of which are set out in paragraph 13.14 of Part VIII of this Admission Document. With effect from Admission, the following Adviser Warrants will be outstanding:

<b>Adviser</b>	<b>Number of Warrants</b>	<b>Date of Grant</b>	<b>Expiry of Warrant Period</b>	<b>Exercise Price (pence)</b>
Brandon Hill	833,333	13 January 2021	13 January 2024	12

In connection with the September Placing, the September Placees agreed to commit a further amount of £400,000 in the Placing and a condition of such commitment was that the September Placees would, at the time of the Placing and conditional on Admission, be issued Placing Warrants over 5,000,000 Ordinary Shares (after the Share Consolidation) with an exercise price of 8 pence per Ordinary Share. The following Placing Warrants will be issued to the following September Placees with effect from Admission:

<b>September Placee</b>	<b>Number of Warrants</b>	<b>Date of Grant</b>	<b>Expiry of Warrant Period</b>	<b>Exercise Price (pence)</b>
Spreadex Limited	1,875,000	13 January 2021	13 January 2024	8
InterTrader Limited	2,500,000	13 January 2021	13 January 2024	8
Optiva	625,000	13 January 2021	13 January 2024	8

In aggregate, Placing Warrants over 8,687,499 shares will be issued to Placees (8,333,333) and Subscribers (354,166). These Placing Warrants have an exercise price of 15.6 pence per share and exercise period of 2 years from the date of Admission.

## 15. DIVIDEND POLICY

The Directors believe that the Enlarged Group should seek principally to generate capital growth for the shareholders of the Enlarged Group, but may recommend dividends at some future date, depending upon the generation of sustainable profits, if and when it becomes commercially prudent to do so, subject to having distributable reserves available for the purpose. There can be no assurance that the Enlarged Group will declare and pay, or have the ability to declare and pay, any dividends in the future.

## 16. CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Directors recognise the importance of sound corporate governance and the Enlarged Group will adopt the QCA Code, as published by the Quoted Companies Alliance.

The Enlarged Group's purpose, business model and strategy are set out in paragraph 4 above. Key challenges in the execution of the business model and strategy are set out in the Risk Factors in Part II below.

The Board will be responsible for the management of the business of the Enlarged Group, setting the strategic direction of the Enlarged Group and establishing the policies of the Enlarged Group. It will be the Board's responsibility to oversee the financial position of the Enlarged Group and monitor

the business and affairs of the Enlarged Group on behalf of the Shareholders, to whom the Directors are accountable. The primary duty of the Board will be to act in the best interests of the Enlarged Group at all times. The Board will also address issues relating to internal control and the Enlarged Group's approach to risk management.

The Enlarged Group will hold board meetings monthly and whenever issues arise which require the urgent attention of the Board.

The Board believes that, following Admission, it will have an appropriate balance of sector, financial and public markets skills and experience, an appropriate balance of personal qualities and capabilities and an appropriate balance between executive and non-executive directors.

Geoffrey Brown, James Leahy and Teh Kwan Wey are deemed to be independent non-executive directors. The non-executive directors will be expected to devote such time as may be necessary to fulfil their roles. Brief biographical details of each of the Existing Directors and the Proposed Directors are set out in paragraph 5 above.

The Group has established a remuneration committee (the "**Remuneration Committee**"), an audit committee (the "**Audit Committee**") and a nomination committee (the "**Nomination Committee**") with formally delegated duties and responsibilities.

From Admission the Remuneration Committee will comprise James Leahy as Chairman and Greg Martyr, who will meet not less than twice each year. The committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of the Enlarged Group.

From Admission the Audit Committee will comprise Greg Martyr as Chairman and Teh Kwan Wey, who will meet not less than three times a year. The committee is responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Enlarged Group is properly monitored and reported. In addition, the Audit Committee will receive and review reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of the Enlarged Group.

From Admission the Nomination Committee will comprise Geoffrey Brown as Chairman and James Leahy, who will meet not less than once a year. The committee will lead the process for board appointments and make recommendations to the Board. The Nomination Committee shall evaluate the balance of skills, experience, independence, and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.

The Enlarged Group will seek to engage with Shareholders to understand the needs and expectations of all elements of the company's Shareholder base. Michael Frayne will have specific responsibility on the Board for Shareholder liaison.

The Board believes that its stakeholders (other than Shareholders) are its employees, its customers and the consumers who are protected from online fraud due to its activities. In order to understand their needs, interests and expectations the Enlarged Group will work directly and closely with customers, staff and other consumer organisations to enhance its products to obtain the best results to prevent online fraud and security breaches.

The Board regularly reviews the effectiveness of its performance as a unit, as well as that of its committees and the individual directors and will monitor and promote a healthy corporate culture.

## **17. SHARE DEALING POLICY**

The Group has adopted and operates a share dealing code governing the share dealings of the directors of the Company and applicable employees with a view to ensuring compliance with the AIM Rules.

## **18. BRIBERY ACT 2010**

The government of the United Kingdom has issued guidelines setting out appropriate procedures for companies to follow to ensure that they are compliant with the UK Bribery Act 2010 which came into force with effect from 1 July 2011. The Company has implemented an anti-bribery policy as

adopted by the Board and also implemented appropriate procedures to ensure that the Directors, employees and consultants comply with the terms of the legislation.

## **19. RISK FACTORS**

**Shareholders and other prospective investors in the Company should be aware that an investment in the Company involves a high degree of risk. Your attention is drawn to the risk factors set out in Part II of this Admission Document.**

## **20. TAXATION**

General information relating to United Kingdom taxation is set out in Part VII of this Admission Document. If you are in any doubt as to your tax position, you should contact your professional adviser immediately.

Investors subject to tax in other jurisdictions are strongly urged to contact their tax advisers about the tax consequences of holding Ordinary Shares.

## **21. FURTHER INFORMATION**

**Shareholders should read the whole of this Admission Document which provides information on the Company, the Acquisition and the Placing and not rely on summaries or individual parts only. Your attention is drawn, in particular, to the Risk Factors set out in Part II of this Admission Document and the additional information set out in Part VIII of this Admission Document.**

## **22. GENERAL MEETING**

Set out at the end of this Admission Document is a notice convening the General Meeting to be held on 11 January 2021 at 10.00 a.m. at the offices of Hill Dickinson at The Broadgate Tower, 20 Primrose Street, London EC2A 2EW, at which the following Resolutions will be proposed:

Resolution 1: to approve the Acquisition;

Resolution 2: to appoint Gregory Martyr as a Director of the Company;

Resolution 3: to appoint Anthony Samaha as a Director of the Company;

Resolution 4: to appoint James Leahy as a Director of the Company;

Resolution 5: to authorise the Directors to allot the New Ordinary Shares and options pursuant to the Share Option Plan;

Resolution 6: to consolidate every 20 Existing Ordinary Shares into one New Ordinary Share;

Resolution 7: to dis-apply statutory pre-emption provisions to allow the Directors in certain circumstances to allot New Ordinary Shares in connection with the Proposals and the Share Option Plan for cash other than on a pre-emptive basis; and

Resolution 8: to approve the Change of Name.

Resolutions 1 to 6 will be proposed as ordinary resolutions and Resolutions 7 to 8 will be proposed as special resolutions.

## **23. ACTION TO BE TAKEN**

A Form of Proxy is enclosed for use by Shareholders in connection with the General Meeting. Please note that arrangements for this General Meeting are different from previous general meetings given that we expect significant restrictions on personal movement to still be in place due to COVID-19. The Board requests that no Shareholders attend the meeting. Any Shareholders that do attend will be refused entry. Only those who are required to form the quorum will attend in person and those Shareholders will constitute the minimum quorum for the meeting to take place. Shareholders are asked to complete the Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's registrars, Share Registrars Limited, as soon as possible but in any event not later than 10.00 a.m on 7 January 2021.

## **24. RECOMMENDATIONS**

**Michael Frayne is not regarded as an Independent Director as he is a Shareholder of Capital Metals Limited. Both the other Existing Directors are regarded as independent.**

**In respect of Resolution 1, the Independent Directors, having consulted with its nominated adviser, SPARK, consider that the terms of the Acquisition are fair and reasonable insofar as shareholders are concerned, and accordingly recommend that the Independent Shareholders vote in favour of the Acquisition. The Independent Directors intend to vote in favour of this Resolution in respect of 528,957 Existing Ordinary Shares beneficially owned by them, in aggregate, representing approximately 0.12 per cent. of the Existing Ordinary Shares. In providing advice to the Directors, SPARK has taken into account their commercial assessments.**

**In addition, the Existing Directors consider that Resolutions 2 to 8 to be proposed at the General Meeting are in the best interests of the Company and its Shareholders as a whole and accordingly, the Existing Directors unanimously recommend that each Shareholder votes in favour of each of the Resolutions. All of the Existing Directors intend to vote in favour of these Resolutions in respect of the 2,693,957 Existing Ordinary Shares beneficially owned by them in aggregate, representing approximately 0.59 per cent. of the Existing Ordinary Shares.**

Yours faithfully

Michael Frayne  
**Executive Chairman, Equatorial Palm Oil plc**

## PART II

### RISK FACTORS

**Any investment in the Ordinary Shares is subject to a number of risks. Before making an investment decision with respect to the Ordinary Shares, prospective investors should carefully consider the risks associated with an investment in the Enlarged Group, the Enlarged Group's business and the industry in which the Enlarged Group operates, in addition to all of the other information set out in this Admission Document and, in particular, those risks described below (which are not set out in any order of priority).**

If any of the circumstances identified in the risk factors were to materialise, the Enlarged Group's business, financial condition, results of operations and future prospects could be adversely affected, and investors may lose all or part of their investment. Certain risks of which the Directors are aware at the date of this Admission Document and which they consider material to prospective investors are set out in the risk factors below; however, the section below does not purport to be an exhaustive list, and further risks and uncertainties relating to the Enlarged Group which may not be currently known to the Directors, or that the Directors do not currently deem material, may also have an adverse effect on the Enlarged Group's business, financial condition, results of operations and future prospects. If this occurs, the price of the Ordinary Shares may decline, and investors may lose all or part of their investment. An investment in the Enlarged Group may not be suitable for all recipients of this Admission Document. Potential investors are therefore strongly recommended to consult an independent financial adviser authorised under FSMA and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

**None of the risk factors are intended to qualify in any way the working capital statement given at paragraph 16 of Part VIII (*Additional information*) of this Admission Document.**

#### **RISKS RELATING TO THE ACQUISITION**

##### ***Conditionality of the Acquisition***

Completion of the Acquisition is subject to the satisfaction of a number of conditions, including, among other things, the passing of all of the Resolutions and Admission. There can be no assurance that these conditions and the other conditions in relation to the Acquisition will be satisfied and that the Acquisition will complete by 31 March 2021.

If the conditions of the Acquisition are not satisfied or, to the extent permitted, waived by 31 March 2021, the Acquisition Agreements will terminate, and the Company will not acquire Capital Metals Limited. Consequentially, the Placing and Admission will not occur, and the Company will have incurred significant advisory and other costs which it will have to pay in any event.

Additionally, if the Company does not complete an acquisition in accordance with AIM Rule 15 by 10 June 2021, its shares will be delisted from trading on AIM.

#### **RISKS RELATING TO THE EASTERN MINERALS PROJECT**

##### ***Renewal of exploration rights and conversion into mining rights***

The DEL License was renewed for the fourth time on 31 October 2018 and expired on 31 October 2020. The forms of application that are included in the regulations issued under the laws of Sri Lanka have been formulated to indicate that the fourth renewal of an exploration license is the final application that may be made for renewal of an Exploration License.

On 28 April 2014 DEL submitted the First IML Application, and such application is currently pending. In connection with this application, an environmental impact assessment report was submitted on 26 September 2019. The EIA review and approval process was delayed earlier this year due to COVID-19, causing greatly reduced Government activity. The review process has recommenced and the EIA is intended to be made available for its 30 business day public consultation in November.

The GSMB has represented to DEL that, following the expiry of an exploration license, the GSMB in practice, allows the former exploration license holder for a period of two years from the date of expiry:

- Exclusive right over the former exploration license area to submit further IMLs should the former license holder wish to do so (in this case DEL, in respect of the DEL License area); and
- Exclusivity over the former exploration license area by refraining from accepting applications for any new exploration licenses from third parties.

Such representations have also been made verbally by the Registrar of the GSMB to the Company's Sri Lankan counsel, however these practices are not provided for in any published guidelines, policy documents, regulations or statutes to support such representation.

**Notwithstanding the above a consequence of the expiry of the DEL License is that DEL no longer holds any exploration rights in respect of the area covered by the DEL License until such time as an IML is granted.**

The EML License expired on 31 October 2020 and the Company has applied for this to be renewed for a further period of 2 years. It is expected that the renewal of the EML License will be granted soon. However, until such time as the EML License renewal is granted, EML will not hold any exploration rights in respect of the area covered by the EML License. EML has not yet applied for an IML in respect of the EML License, however it is intended that such application would be made within next 24 months of the renewal of the EML License. Any application to convert the EML License into an IML will require the same approvals as the DEL License.

While the Enlarged Group currently anticipates that the EML License renewal and the IML Applications will be successful, and that further IML applications in respect of the EML License area will also succeed and that subsequent renewals will be given as and when sought, there is no assurance that such applications or renewals will be given and the IML Applications as a matter of course and there is no assurance that new conditions will not be imposed.

The Capital Metals Limited consolidated statement of financial position in the audited accounts for the year ended 31 March 2020 includes intangible assets of \$5.05 million in relation to exploration and evaluation assets. The reporting accountants have drawn attention to the fact that the recoverable value of the intangible assets is dependent on the Enlarged Group obtaining the necessary license renewals. Therefore in the event that the application for the renewal of the EML License renewal do not prove successful it is highly likely that the carrying value will be significantly impaired.

#### ***Title risk***

While the Enlarged Group has investigated its title to, and rights and interests in, the Project Licenses and the IML Applications making up the EMP, and to the best of its knowledge, such title and interests are in good standing (save that the DEL License and the EML License have now expired (with the EML License subject to renewal)), this should not be construed as a guarantee of the same. Title to the EMP may be subject to undetected defects. If a defect does exist it is possible that the Enlarged Group may lose all or part of its interest in the EMP.

#### ***Early stage of operations***

The Enlarged Group's operations are at an early stage of development. The success of the Enlarged Group will depend on its ability to manage the Project in Sri Lanka and to take advantage of further opportunities which may arise. On Admission, the Enlarged Group will have no properties producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from active mining operations in the future and its ability to access capital markets for its significant funding requirements. Significant capital investment will be required to achieve commercial production. Losses are likely to occur in the near future and there can be no assurance that that the Enlarged Group will be profitable in the future.

#### ***Minimum exploration expenditure***

The EML License is subject to a minimum expenditure requirement under Mining (License) Regulations (No 1 of 1993) Amendment dated 10 October 2005 (No. 1418/27). This regulation states that the minimum expenditure value per square kilometre on an Exploration License is LKR 100,000/year (approximately £500/year). Therefore, the required expenditure amount to retain the EML Licenses is LKR 8.4 million/year (approximately £42,000/year). If the Enlarged Group is unable to meet this minimum required expenditure it may lose its right to apply for a renewal of

such Project License. Upon Admission, the Company will have sufficient funds to meet the minimum exploration expenditure for the working capital period, that is, the period of 12 months following Admission. If the Enlarged Group is not able to source the funds required to meet minimum expenditure obligations falling due after the working capital period, but before expiry of the relevant Project License, the Project Licenses may not be renewed upon expiry. The date upon which the Project Licenses are due for renewal are set out in the risk factor directly below this one.

***Conversion of the Exploration Licenses into Industrial Mining Licenses and receipt of other permits***

Before the EMP can be brought into production, the IML Applications will need to be approved by the GSMB and further IML applications will need to be made by EML. In addition, permits such as: the Coast Conservation Department Permit (CCD), the Urban Development Authority Permit (UDA) or letters from the Coast Conservation and Coastal Resources Management Department (CC&CRMD), must be attained. DEL has already applied for land within all grid blocks within the DEL License area to be converted into an IML. Sri Lanka has a comprehensive environmental legislative framework that includes a prescribed process and procedure for mining permitting and associated approvals based on an Initial Environmental Examination and an EIA. The Enlarged Group has submitted an EIA for the First IML Application which is in the process of being assessed at central government, provincial and private level and will need to encompass all aspects of the Project and will be a fundamental part of granting of an IML. At present, due to the Foreign Exchange Act the Company is exempt from 40 per cent. of overseas ownership on the basis that they are engaging in exploration and not mining activity. There is a risk that this will cease to apply if the Company is granted an IML. Further, should the Enlarged Group fail to obtain IMLs or attain any of the additional permits required to extract and sell its production, there is a risk that the EMP could not be brought into production.

***Impact of environmental and social issues affecting the EMP***

The EMP is still at an early stage of project development and further consideration will need to be given to environmental and social issues affecting the EMP. Environmental and safety legislation (e.g. in relation to reclamation, disposal of waste products, protection of wildlife and otherwise relating to environmental protection) may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from both future and historic exploration or mining activities, which may be costly to remedy. Potential environmental liabilities as a result of unfulfilled environmental obligations by the previous owners may impact the Enlarged Group. Risks may include on-site sources of environmental contamination such as oil and fuel from the mining equipment and rehabilitation of the site upon expiry of the Project Licenses. Under the terms of the Project Licenses, the Enlarged Group is also required to rehabilitate the area affected by the mining activities, accordingly there will be a potential cost associated with undertaking this obligation. It is currently unknown what this could be but the funding of this could have a material impact on the Enlarged Group's financial position in the future.

If the Enlarged Group is unable to fully remedy an environmental problem, it may be required to stop or suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Enlarged Group.

The Enlarged Group has not yet sought to purchase insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) and there is a risk it is not available at a price which the Enlarged Group regards as reasonable.

From a community engagement perspective, the Enlarged Group have made it a priority to ensure they have a credible relationship with the local community. So far, interactions with the local community has been positive. Government officials that have visited the site have also met with the community to gain their insights and have agreed that there is currently a strong relationship. However, the community's opinions are subject to change and if future disagreements were to arise it could cause delays for the Project and potentially have an impact on license agreements.

### ***Land Access Agreements***

Whilst an IML would grant the Enlarged Group the right to enter and possess any area of land covered by that IML, where lands are owned privately or by a state organisation, rights to access those lands will need to be obtained from such landowners. The license area subject to the IML Applications and covered by the EML License does include private and state organisation land and therefore the Enlarged Group will rely on obtaining land access agreements in order to carry out its mining operation. DEL has previously entered into exploration agreements with private landowners regarding its exploration activities and is therefore hopeful of reaching access agreements with such landowners in the future. However, there can be no assurance that any such arrangements will be agreed and obtained. Any issues in obtaining the land access agreements could materially and adversely affect the Enlarged Group's business, results of operations, financial condition and prospects.

### ***Mineral, metallurgical, and geological risks***

Heavy minerals have been exploited in several areas of Sri Lanka, however limited exploration has been undertaken in the South East region of Sri Lanka, where the Project Licenses are located. There is limited additional information on the mineralogy of heavy minerals within the EMP area other than that acquired by Capital Metals Limited. To date, most of the exploration has been undertaken by auger drilling to a maximum depth of three metres and only recent drilling has indicated to what depth the valuable mineral sands extend. The assumptions currently adopted by RGD1 in their Mineral Resource Estimate for the EMP may prove to be wrong impacting the proposed development programme accordingly.

### ***Stage of development***

The Enlarged Group will initially focus on the development of the EMP; however, there can be no assurance that the EMP License will be brought into production or that any project will ever be profitable. The commercial viability of mineral deposits of the kind located and believed to be located at the EMP area is dependent upon a number of factors, including, but not limited to, the market price of the component heavy minerals, the quality, size, grade and other attributes of the deposits and the proximity to, and availability of, infrastructure necessary to develop, exploit and transport minerals on a commercial scale.

### ***License Fees, Inspection Fees & Royalties***

A licensee is required to pay to the GSMB license fees, inspection fees, royalties and an area rent at rates prescribed by Regulations published under the Mines and Minerals Act. There is also an annual minimum technical expenditure amount per square kilo meter that is required to be incurred by a license holder of an exploration license. The Enlarged Group's ability to pay these license fees, inspection fees and royalties in the future is subject to the price at which is decided by each buyer and Capital Metals Limited. Depending on the price of heavy minerals, projected cash flow from planned mining operations may not be sufficient to pay the license fees, inspection fees and royalties and the Enlarged Group could be forced to discontinue any development and may lose its interest in, or may be forced to sell, some or all of its properties.

### ***Litigation***

The operating hazards inherent in the Group's business expose the Company to litigation, including personal injury litigation, environmental litigation, contractual litigation with clients, intellectual property litigation, tax or other litigation.

The mining industry, as with all industries, may be subject to legal claims including personal injury claims, both with and without merit, from time to time. The Directors cannot preclude that such litigation may be brought against the Company in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's financial position, results or operations. The Company's business may be materially adversely affected if the Company and/or its employees or agents are found not to have met the appropriate standard of care or not exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards. In addition to the litigation risk described above, the Company has also be subject to claims made against it by Brent, being one of the CML Vendors. Details of this situation are described in more

detail in paragraph 15 of Part VIII of this document. It is the view of the Directors that Brent does not have any valid cause of action against the Company, however defence and settlement costs in relation to any claim made against the Company could be substantial. Due to the inherent uncertainty of litigation processes, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's financial position, results or operations.

Any future litigation may have an adverse effect on the Company's business, financial position, results of operations and the Company's ability to pay dividends, because of potential negative outcomes, the costs associated with prosecuting or defending such lawsuits, and the diversion of management's attention to these matters.

## **RISKS RELATING TO MINERAL SANDS, COMMODITIES AND EXPLORATION**

### ***Location and infrastructure***

The successful development of the EMP depends on adequate infrastructure. The region of Sri Lanka where the EMP is located is sparsely populated and some parts of the properties may require additional infrastructure before the EMP can be fully developed. Reliable roads, bridges, power sources and water supplies are important determinants which affect capital and operating costs, and the Enlarged Group's ability to maintain expected levels of progress with its exploration activities. Unusual weather or other natural phenomena including tsunamis, sabotage or government or other interference in the maintenance or provision of such infrastructure could impact on the development of the EMP, increase costs or delay the transportation of supplies, equipment or machinery to the Enlarged Group's properties. Any such issues in respect of the infrastructure supporting or at the EMP could materially and adversely affect the Enlarged Group's business, results of operations, financial condition, and prospects.

Central to the Enlarged Group's ability to become a commercial mining operation is access to a transportation system through which it can transport future heavy mineral production to a port for onward export by sea. The EMP benefits from close proximity to the Oluvil port, which the Enlarged Group has determined will be the optimal route for production to be transported from the EMP to global customers. Any proposed transportation system, including port facilities, will require obtaining necessary permits, authorisations, or land access rights. There is no guarantee that such rights will be available or, if applied for, will be granted to the Enlarged Group. In addition, any delays in (i) obtaining the necessary permits and authorisations, (ii) the construction or commissioning of port facilities, or (iii) raising finance to fund the infrastructure development, could prevent altogether or impede the Enlarged Group's ability to export potential heavy mineral production. Any such issues in respect of a transportation system for the Enlarged Group's product could materially and adversely affect the Enlarged Group's business, results of operations, financial condition and prospects.

### ***Dredging at Oluvil Port***

Once the Oluvil port is operational, Capital Metals Limited intends to transport its products via the commercial harbour at the port. This site that is yet to be used for commercial shipping operations and the area in front of the port currently requires dredging of sand accumulations resulting from long-shore drift. The port offers more than adequate land and shipping capacity (8,000 to 10,000 tonnes if the harbour is dredged to design depth of 11 m) for the Enlarged Group's needs and it is hoped that Capital Metals Limited will co-exist with other industries also utilising the port.

Dredging the port will require approval from the Sri Lankan Port Authority, which has not yet been applied for and has not yet been agreed. Further risks that the dredging poses include but are not limited to the quality or failure of locally obtained equipment or interruptions to or delays in availability of services (such as power, water, fuel or transport or processing capacity) or technical support and equipment (including dredging equipment, seismic equipment and engineering and geological consultants), which result in failure to achieve expected target dates for exploration or production and/or result in a requirement for greater expenditure than planned or anticipated. Dredging may involve unprofitable efforts, not only with respect to areas without resources, but also with respect to areas which, though yielding some resources, are not sufficiently productive to justify commercial development or cover operating and other costs. Completion of dredging of an area does not ensure a profit on the investment or recovery of dredging, completion and operating costs.

### ***Transportation delays***

Unusual or infrequent weather phenomena, sabotage, Government or other interference in the maintenance or provision of such infrastructure could adversely affect the Enlarged Group's operations, financial condition and results of operations. Any such issues arising in respect of the supporting infrastructure or on the Enlarged Group's site could materially and adversely affect the Enlarged Group's results of operations or financial condition. Furthermore, any failure or unavailability of the Enlarged Group's operational infrastructure (for example, through equipment failure or disruption to its transportation arrangements) could adversely affect its mining production.

### ***Operating risks***

The activities of the Enlarged Group will be subject to usual hazards and risks normally associated with exploring and developing natural resource projects. These risks and uncertainties include, but are not limited to, environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, unanticipated changes in metallurgical characteristics and mineral recovery, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions including tsunamis and other acts of God or unfavourable operating conditions and losses. Should any of these risks and hazards affect the Enlarged Group's exploration, development or mining activities, it may cause the cost of production to increase to a point where it would no longer be economic to produce mineral resources from the Enlarged Group's properties, require the Company to write-down the carrying value of one or more mineral projects, cause delays or a stoppage of mining and processing, result in the destruction of mineral properties or processing facilities, cause death or personal injury and related legal liability; any and all of which may have a material adverse effect on the Company. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability, result in increasing costs or the loss of assets and a decline in the value of the Company's securities.

### ***Environmental regulation***

Environmental and safety legislation (e.g. in relation to reclamation, disposal of waste products, protection of wildlife and otherwise relating to environmental protection) may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from exploration or mining activities, which may be costly to remedy. If the Enlarged Group is unable to fully remedy an environmental problem, it may be required to stop or suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Enlarged Group. The Enlarged Group has not purchased insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) as it is not generally available at a price which the Enlarged Group regards as reasonable.

### ***Mineral sands' prices***

The development and success of any project of the Enlarged Group will be primarily dependent on the future prices of heavy minerals, specifically ilmenite, rutile, zircon and garnet. These heavy mineral prices are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the United States dollar and foreign currencies, global and regional supply and demand, and political and economic conditions. The price of heavy minerals and other commodities have fluctuated widely in recent years, and future price declines could cause any future development of and commercial production from the Enlarged Group's properties to be impracticable. Depending on the price of heavy minerals, projected cash flow from planned mining operations may not be sufficient and the Enlarged Group could be forced to discontinue any development and may lose its interest in, or may be forced to sell, some or all of its properties. Future production from the EMP is dependent on these heavy minerals that are adequate to make the Project economic.

### ***Dependence on key personnel and consultants***

The Enlarged Group has a small management team and the loss of a key individual could have an adverse effect on the future of the Enlarged Group's business. The Enlarged Group's future success will also depend in large part upon its ability to attract and retain highly skilled personnel. There can be no assurance that the Enlarged Group will be successful in attracting and retaining such personnel.

### ***Dependence on third party services***

The Enlarged Group will rely on products and services provided by third parties. If there is any interruption to the products or services provided by such third parties the Enlarged Group may be unable to find adequate replacement services on a timely basis or at all. The Enlarged Group is unable to predict the risk of insolvency or other managerial failure by any of the contractors or other service providers currently or in the future used by the Enlarged Group in its activities. Any of the foregoing may have a material adverse effect on the results of operations or the financial condition of the Enlarged Group. In addition, the termination of these arrangements, if not replaced on similar terms, could have a material adverse effect on the results of operations or the financial condition of the Enlarged Group.

### ***External contractors and sub-contractors***

When the world mining industry is buoyant there is increased competition for the services of suitably qualified and/or experienced sub-contractors, such as mining and drilling contractors, assay laboratories, metallurgical test work facilities and other providers of engineering, project management and mineral processing services. As a result, the Enlarged Group may experience difficulties in sourcing and retaining the services of suitably qualified and/or experienced sub-contractors. The loss or diminution in the services of suitably qualified and/or experienced sub-contractors or an inability to source or retain necessary sub-contractors or their failure to properly perform their services could have a material and adverse effect on the Enlarged Group's business, results of operations, financial condition and prospects.

### ***Estimates of Mineral Reserves and Resources***

Even though a JORC Code compliant mineral resource has been discovered at the EMP, estimates in respect of that resource are expressions of judgement based on knowledge, experience, and industry practice. Estimates which were valid when originally made may change appreciably when further information becomes available. Such resource estimates are by nature imprecise, depending on interpretations which may, with further exploration, prove to be inaccurate. Moreover, should the Enlarged Group encounter ore bodies or formations which differ from those suggested by past sampling and analysis, resource estimates may have to be adjusted and any production plans altered accordingly which may adversely impact the Enlarged Group's plans.

### ***Financing***

The Company is likely to remain cash flow negative for some time and, although the Directors have confidence in the future revenue earning potential of the Company from its interests in the EMP, there can be no certainty that the Company will achieve or sustain profitability or positive cash flow from its operating activities. The Company will need to raise additional capital in the future to fund the development of the EMP to the point at which it becomes operational, and future heavy mineral prices, revenues, taxes, capital expenditures and operating expenses and geological success will all be factors which will have an impact on the amount of additional capital required. Additionally, if the Company acquires further exploration assets or is granted additional permits, exploration licenses this may increase its financial commitments in respect of the Enlarged Group's exploration activities. If the Company is unable to obtain additional financing as and when needed, it could result in a delay or indefinite postponement of exploration and development activities which may result in loss of the EML License or any IML granted if the minimum work programmes under such permit cannot be met.

### ***Commodity and currency risk***

As the Company's potential earnings will be largely derived from the sale of heavy mineral sands, the Company's future revenues and cash flows will be impacted by changes in the prices and

available market of this commodity. Any substantial decline in the price of heavy mineral sands or in transport or distribution costs may have a material adverse effect on the Company.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include current and expected future supply and demand, forward selling by producers, production cost levels in major mineral producing centres as well as macroeconomic conditions such as inflation and interest rates.

Furthermore, the international prices of most commodities are denominated in United States dollars while the Company cost base will be in Pound Sterling and Sri Lankan rupees. Consequently, changes in the Pound Sterling exchange rate will impact on the earnings of the Company. The exchange rate is affected by numerous factors beyond the control of the Company, including international markets, interest rates, inflation and the general economic outlook.

### ***Competition***

The mining industry is competitive in all of its phases. The Enlarged Group faces strong competition from other companies in connection with the acquisition of mineral properties producing, or capable of producing, as well as for the recruitment and retention of qualified employees. Larger companies, in particular, may have access to greater financial resources, operational experience and technical capabilities than the Enlarged Group which may give them a competitive advantage.

### ***Utilities***

The Company's ability to develop the EMP will be reliant on the availability of adequate utilities such as power and water. There can be no guarantee that such utilities will be available at an economically viable level. At present, the volumes of water and power required for the Enlarged Group's operations are unknown. Water rights will be subject to regulation in Sri Lanka and securing and managing of water and power rights will require the Enlarged Group to engage appropriate personnel and consultants and to work alongside regulatory bodies.

### ***CESS Export Levy***

The Sri Lanka Export Development Board ("EDB") applies a CESS Export Levy on all exports on a per tonnage basis including currently 1,650 LKR/t on Ilmenite, 2,200 LKR/t on Rutile and 550 LKR/t on Zircon. With regard to garnet, CML is currently in discussion with the EDB and GSMB to seek clarity on what appears to be an incorrect rate of 24,200 LKR/t. The EDB have suggested this may potentially be a typographical error (from LKR2,420) and CML continues to pursue the matter with these two authorities. At present, there are no other royalties payable relating to the Project.

Garnet is estimated as comprising around 14 per cent. by value of the mineral sands' deposits in the EMP. In the event that it takes a significant period of time to resolve the matter satisfactorily, or that it cannot ultimately be resolved to the Enlarged Group's satisfaction, it may render the export of garnet less economically viable or unviable, which would adversely affect the Enlarged Group's operations.

### ***COVID-19***

The COVID-19 outbreak in 2020 could have an adverse effect on the Company's business. Concerns are rapidly growing about the global outbreak of COVID-19. The virus has spread rapidly across the globe, including in the continents of Europe and North America. The pandemic is having an unprecedented impact on the global economy as the respective levels of government react to this public health crisis, which has created significant uncertainties. As the pandemic continues to grow, consumer fears about becoming ill with the virus and recommendations and/or mandates from authorities to avoid large gatherings of people or self-quarantine may continue to increase, which has already affected, and may continue to affect economic activity generally. The extent of the impact of the pandemic on the Company's business, results of operations, financial condition or prospects will depend largely on future developments, including the duration of the spread of the outbreak, the impact on capital and financial markets and the related impact on consumer behaviour, all of which are highly uncertain and cannot be predicted. At present, many government offices in Sri Lanka have been closed to the general public and government officials are operating at a reduced capacity and on a rota system. This has already led to some delays in the IML Application process, approval of the EIA and the renewal of the EML License. This situation is

changing rapidly, and additional impacts and delays may arise of which the Company is not currently aware.

## **RISKS RELATING TO SRI LANKA**

### ***Geopolitical and Economic Instability***

Sri Lanka had been subject to a prolonged civil war which concluded in May 2009. Since the end of this conflict the government has enacted an ambitious program of economic development projects. In addition to efforts to reconstruct the economy, the government has resettled more than 95 per cent. of those civilians displaced during the final phase of the conflict. While Sri Lanka is currently politically stable, there can be no assurance that this will continue to be the case. Presidential elections were held in Sri Lanka on 16 November 2019 which occurred without any significant incidents. The election was won, with a clear majority, by Gotabaya Rajapaksa of the SLPP party, who took office in January 2020. Since the election, Mr Rajapaksa named his brother, Mahinda Rajapaksa (a former President of Sri Lanka), as the new Prime Minister. Given this change, new parliamentary elections were held on 5 August 2020 and the incumbent SLPP party claimed a landslide victory, winning 145 seats out of a possible 225 seats. While threats to political and economic stability are not considered at this time to be material, there can be no guarantee that this will continue to be the case and any actual or perceived political, civil, religious or economic instability could materially and adversely impact the Enlarged Group's operations, its financial condition and on the willingness of potential investors to invest in the Company.

### ***Terrorism***

Sri Lanka has experienced and continues to experience terrorist attacks and occasional civil disorder. On 21 April 2019, Easter Sunday, Sri Lanka experienced a wide-scale terrorist attack with suicide bombings taking place at a number of churches and hotels in Colombo, Dermatagoda and Dehiwala. There can be no assurance that extremists or terrorist groups will not escalate or continue these violent activities in the Sri Lanka, or expand their operations to include more targets, and that domestic order and stability will be successfully secured. The effects of any such terrorist activities and security concerns could disrupt the Enlarged Group's operations or negatively impact the market for the Enlarged Group's products and could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects as well as investor confidence in investing in Sri Lanka.

### ***Government regulation and political risk***

The Enlarged Group's operating activities are subject to laws and regulations governing expropriation of property, health and worker safety, employment standards, waste disposal, protection of the environment, mine development, land and water use, prospecting, mineral production, exports, taxes, labour standards, occupational health standards, toxic wastes, the protection of endangered and protected species and other matters. While the Enlarged Group believes that it is in substantial compliance with all material current laws and regulations affecting its activities, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of existing permits and agreements applicable to the Enlarged Group or its properties, which could have a material adverse impact on the Enlarged Group's current operations or planned exploration and development projects. Where required, obtaining necessary permits and licenses can be a complex, time consuming process and the Enlarged Group cannot assure whether any necessary permits will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Enlarged Group from proceeding with any future exploration or development of its properties. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities.

The EMP is located in Sri Lanka. The Enlarged Group's activities may be affected in varying degrees by political stability and governmental regulations. Any changes in regulations or shifts in political attitudes in these countries or any other countries in which the Enlarged Group may operate are beyond the control of the Enlarged Group and may adversely affect its operations.

### **Legal systems**

The EMP License is governed by the laws of Sri Lanka and is granted subject to conditions, including minimum annual expenditure commitments and reporting commitments. Similar conditions may be applied to future mining permits acquired by the Enlarged Group or its subsidiaries. Failure to comply with these conditions may result in forfeiture of the EML or any IML granted.

Sri Lanka may have a less developed legal system than more established economies which could result in risks such as (i) effective legal redress in the courts, whether in respect of a breach of law or regulation, or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions and (v) relative inexperience of the judiciary and courts in such matters. In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to the Enlarged Group's research permits and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

### **RISKS RELATING TO THE ORDINARY SHARES**

#### ***Suitability of an investment in Ordinary Shares***

An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in New Ordinary Shares unless they already have a diversified investment portfolio. Prospective investors should consider with care whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them. Investment in the Company should not be regarded as short term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved.

Investment in the Ordinary Shares may not be suitable for all prospective investors. Prospective investors are, accordingly, advised to consult a person authorised under FSMA who specialises in investments of this nature before making any investment decisions.

#### ***Investment in AIM-traded securities***

Investment in shares traded on AIM involves a higher degree of risk, and such shares may be less liquid, than shares in companies which are listed on the Official List. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for the admission of the Company's securities to the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group. Investors may, therefore, realise less than, or lose all of, their investment.

#### ***The Ordinary Shares may be subject to market price volatility and the market price of the Ordinary Shares may decline in response to developments that are unrelated to operating performance.***

The Placing Price may not be indicative of the market price for the Ordinary Shares following Admission. The Ordinary Shares may be subject to market price volatility and the market price of the Ordinary Shares may decline in response to developments that are unrelated to the Enlarged Group's operating performance as well as period-to-period variations in operating results or changes in revenue or profit estimates by industry participants or financial analysts. The market price of the Ordinary Shares could also be affected by developments unrelated to the Company's operating performance, such as the operating and share price performance of other companies that

investors may consider comparable to the Company, speculation about the Company in the press or the investment community, strategic actions by competitors, including acquisitions and/or restructurings, changes in market conditions and regulatory changes in any number of countries, whether or not the Company derives significant revenue therefrom. Investors may not be able to sell their Ordinary Shares at or above the Placing Price.

***The issuance of further Ordinary Shares or CML Shares in connection with the acquisition of DEL and EML, future acquisitions, any share incentive or share option plan or otherwise may dilute non-participating Shareholders.***

The effect of the Acquisition and the Placing will be a reduction to the current Shareholders' proportionate ownership and voting interest in the Company.

Following Admission, the Company may seek to raise financing to fund the significant capital expenditure envisaged under the Work Programme. or for general purposes. Such financing rounds are likely to result in the issue of additional equity or convertible equity securities. As a result, existing Shareholders may suffer dilution in their percentage ownership and/or the price of the Ordinary Shares may be adversely affected. Pursuant to the DEL Share Sale Agreement and the EML Share Sale Agreement, CML is due to issue CML Shares to the value of US\$2,250,000, with CML Shares worth US\$1,125,000 due to be issued on completion of the Feasibility Study and CML Shares worth US\$1,125,000 due to be issued upon the commencement of commercial production under an IML granted to either DEL or EML. The issuance of these CML Shares will dilute the Company's interests in CML. The extent of this dilution cannot be determined at this stage as the issue price of the CML Shares will be at a price per share (i) at which CML Shares were issued in the latest private placement or fundraising prior to such payment date; or (ii) if a third party valuation of CML has been obtained by CML, the price per share determined by that valuation, whichever is higher.

***Shareholders may earn a negative or no return on their investment in the Company.***

The Company's results of operations and financial condition are dependent on its performance and of the performance of the members of the Enlarged Group. The Company's ability to pay dividends will depend, among other things, on its financial performance, the availability of distributable profits and reserves and cash available for this purpose. The Company's ability to pay dividends in the future is affected by a number of factors, principally the Company's ability to receive sufficient dividends from its subsidiaries. The payment of dividends by the Company's subsidiaries is, in turn, subject to restrictions, including the existence of sufficient distributable reserves and cash in its subsidiaries. These restrictions could limit or prohibit the payment of dividends to the Company by its subsidiaries, which could restrict the Company's ability to pay dividends to Shareholders.

***Continued trading on AIM***

The Company cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

***Taxation***

The attention of potential investors is drawn to Part VII (Taxation) of this document. Any change in the Enlarged Group's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Enlarged Group, its ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning taxation of the Enlarged Group and its investors are based on current tax law and practice, which is subject to change.

**The specific and general risk factors detailed above do not include those risks associated with the Enlarged Group which are unknown to the Directors. Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined, their personal circumstances and the financial resources available to them.**

**PART III**  
**COMPETENT PERSON'S REPORT**



# Equatorial Palm Oil plc Independent Competent Person's Report on the Eastern Minerals Project



**J\_2258**

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		Date:	23 December 2020
Important Information:			
<p>This Report is provided in accordance with the proposal by Optiro Pty Ltd ("Optiro") to Equatorial Palm Oil plc and the terms of Optiro's Consulting Services Agreement ("the Agreement"). Optiro has consented to the use and publication of this Report by Equatorial Palm Oil plc for the purposes set out in Optiro's proposal and in accordance with the Agreement. Equatorial Palm Oil plc may reproduce copies of this entire Report only for those purposes but may not and must not allow any other person to publish, copy or reproduce this Report in whole or in part without Optiro's prior written consent.</p> <p>Optiro has used its reasonable endeavours to verify the accuracy and completeness of information provided to it by Equatorial Palm Oil plc which it has relied in compiling the Report. We have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld. It is not the role of Optiro acting as an independent technical expert to perform any due diligence procedures on behalf of the Company. The Directors of the Equatorial Palm Oil plc are responsible for conducting appropriate due diligence in relation to mineral projects. Optiro provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.</p> <p>The opinion of Optiro is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.</p> <p>The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete. The terms of engagement are such that Optiro has no obligation to update this report for events occurring subsequent to the date of this report.</p>			



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23 December 2020

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SPARK Advisory Partners Limited  
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Dear Sirs

### INDEPENDENT COMPETENT PERSON'S REPORT ON THE EASTERN MINERALS PROJECT

At the request of Equatorial Palm Oil plc (EPO or the Company) and SPARK Advisory Partners Limited (SPARK), an Independent Competent Person's Report on the Eastern Minerals Project (EMP or the Project) located on the east coast of Sri Lanka, has been prepared by Mr Jason Froud (Principal) and was reviewed by Mrs Christine Standing (Principal) both of Optiro Pty Ltd (Optiro).

The Project is 100% owned by Capital Metals Limited (Capital Metals). Optiro understands that EPO has agreed terms with the Board of Capital Metals with respect to the acquisition of 100% of the ordinary share capital in Capital Metals.

It is our understanding that this Report will be included in a Prospectus to be published by the Company in connection with the acquisition of Capital Metals and the raising of new equity capital. This Report has been prepared in accordance with the Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets, 2015 Edition (the VALMIN Code, 2015) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012). Mr Jason Froud meets the competency criteria as set out in Part One of the Note for Mining and Oil and Gas Companies – June 2009 of the London Stock Exchange and is the Competent Person responsible for this report (Competent Person).

This Competent Person's Report represents an independent assessment of the geology, exploration data, Mineral Resources and mining, processing and infrastructure studies of the EMP. Optiro has been informed by Capital Metals that the principal purpose of the offering is to raise funds to complete infill drilling, a definitive Feasibility Study including Environmental Impact Assessment and mine permitting of the EMP.

The mineral assets of Capital Metals and its 100% owned subsidiaries, comprise the EMP, located 220 km east of Colombo in Sri Lanka. The project comprises two granted Exploration Licences covering 84 km<sup>2</sup> and nine Exploration Licence applications covering a further 623 km<sup>2</sup>. The granted Exploration Licences host a current (February 2016) combined Measured, Indicated and Inferred JORC 2012 Mineral Resource of 17.2 Mt at 17.6% total heavy minerals.

The objectives of this Report are to provide an overview of the geological setting of the EMP area and the associated mineralisation, outline the recent and historic exploration work undertaken over the project area, report on the Mineral Resources defined within the project and comment on the completed mining, processing and infrastructure studies and the proposed future work.

Capital Metals has provided to the Competent Person drilling and sampling data and other information generated by Capital Metals, their subsidiaries and by previous owners of the EMP. A site inspection was previously carried out by Mrs Standing between 14 and 17 September 2015 to establish reasonable grounds as to the soundness and conclusions of the data presented. Optiro understands that there have been no material changes to the Project since its site visit. Furthermore, the Competent Person has based its assessment of the EMP on a review of the technical information compiled by Capital Metals and their consultants.

Based on the Competent Person's assessment of the Project, it is our opinion that the EMP is of value and contains Measured, Indicated and Inferred heavy Mineral Resources as presented. The Competent Person has considered the expenditure schedules, studies and programmes outlined by Capital Metals, particularly the proposed completion of a definitive Feasibility Study, and considers them to be reasonable and appropriate to progress the project. However, all exploration projects are subject to the risk from unforeseen future issues and events beyond the control of the company; in this sense, the EMP is no exception.

Consent has been sought from Capital Metals, EPO and their representatives to include technical information and opinions expressed by them. No other entities referred to in this Report have consented to the inclusion of any information or opinions and have only been referred to in the context of reporting any relevant activities.

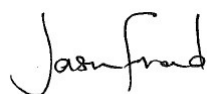
The Competent Person has prepared this Report upon the understanding that the Exploration Licences held by Capital Metals are currently in good legal standing, and has not independently verified Capital Metals' legal tenure over its tenements. The Competent Person is not qualified to make statements in this regard, and has relied upon information provided by Capital Metals.

The Competent Person has endeavoured, by making reasonable enquiry of Capital Metals and EPO, to ensure that all material information in the possession of Capital Metals and EPO has been fully disclosed to The Competent Person. However, the Competent Person has not carried out any type of audit of the records of Capital Metals or EPO to verify that all material documentation has been provided. A final draft version of this Report was provided to the Directors of EPO, Capital Metals and SPARK along with a request to confirm that there are no material errors or omissions in the Report and that the technical information and interpretations provided by them and reflected in the Report are factually accurate. Confirmation of these terms has been provided in writing and has been relied upon by the Competent Person. The Competent Person has based his findings upon information supplied up until 21 December 2020.

Optiro is an independent consulting and advisory organisation which provides a range of services related to the minerals industry including, in this case, independent geological services, but also resource evaluation, corporate advisory, mining engineering, mine design, scheduling, audit, due diligence and risk assessment assistance. The Competent Person and reviewer of this Report declare that they have no material interest in Capital Metals or EPO, their associated entities or in the assets described in this Report. Optiro has charged EPO a professional fee for services rendered, the quantum of which is unrelated to the outcome or the content of this Report.

Yours sincerely

**OPTIRO PTY LTD**



**J C Froud** *BSc(Hons), MAIG*  
**Principal**



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**Principal**

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## 1. EXECUTIVE SUMMARY

### 1.1. PURPOSE

At the request of Equatorial Palm Oil plc (EPO or the Company) and SPARK Advisory Partners Limited (SPARK), an Independent Competent Person's Report on the Eastern Minerals Project (EMP or the Project) located in Sri Lanka, has been prepared by Mr Jason Froud (Principal), the Competent Person, and was reviewed by Mrs Christine Standing (Principal) both of Optiro Pty Ltd (Optiro).

The Project is 100% owned by Capital Metals Limited (Capital Metals or the Target). Optiro understands that EPO has agreed terms with the Board of Capital Metals with respect to the acquisition of 100% of the ordinary share capital in Capital Metals.

This Competent Person's Report represents an independent assessment of the geology, exploration data, Mineral Resources and the mining, processing and infrastructure studies completed on the EMP. It is our understanding that this Report will be included in a Prospectus to be published by the Company in connection with the acquisition of Capital Metals and the raising of new equity capital of the Company in conjunction with the relisting of the new combined entity to fund the development of the Target's assets.

### 1.2. LOCATION AND TENURE

The EMP is located in the Ampara District of the Eastern Province of Sri Lanka, approximately 220 km east of Colombo. The Project may be accessed at a number of points along the coast from the national highway which runs from Colombo via Ratnapura and Pottuvil to Batticaloa. Pottuvil, which is within the project area, is approximately 320 km from Colombo by road, a journey that takes around 6 to 7 hours.

The Project comprises two granted Exploration Licences covering 84 km<sup>2</sup> and nine Exploration Licence applications covering a further 623 km<sup>2</sup>. The licences are held through two 100% owned Sri Lankan private limited companies, Damsila Exports Private Limited (DEL) and Eastern Minerals Private Limited (EML) (Table 1.1).

**Table 1.1 Summary of mineral assets**

Tenement number	Asset	Registered holder	Interest	Status	Expiry date	Area km <sup>2</sup>
EL168/R/4	EMP North (Sri Lanka)	DEL	100%	Exploration	31 Oct 2020 <sup>1</sup>	47
EL199/R/3	EMP South (Sri Lanka)	EML	100%	Exploration	31 Oct 2020 <sup>2</sup>	37
COM/EL/2017/199	EMP North (Sri Lanka)	DEL	100%	Exploration	Application	60
COM/EL/2018/1101	EMP North (Sri Lanka)	DEL	100%	Exploration	Application	24
COM/EL/2017/201	EMP North (Sri Lanka)	DEL	100%	Exploration	Application	79
COM/EL/2017/202	EMP South (Sri Lanka)	EML	100%	Exploration	Application	79
COM/EL/2017/203	EMP South (Sri Lanka)	EML	100%	Exploration	Application	83
COM/EL/2017/207	EMP North (Sri Lanka)	DEL	100%	Exploration	Application	50
COM/EL/2017/209	EMP North (Sri Lanka)	DEL	100%	Exploration	Application	100
COM/EL/2017/208	EMP North (Sri Lanka)	DEL	100%	Exploration	Application	48
COM/EL/2017/210	EMP South (Sri Lanka)	EML	100%	Exploration	Application	100

1. application for an Industrial Mining Licence in place

2. renewal application for further two-year period in place.

### 1.3. MINERAL RESOURCES

In February 2016, a Mineral Resource was estimated for the Eastern Mineral Project. The Mineral Resource reported above at a 5% total heavy mineral (THM) cut-off is 17.2 Mt at 17.6% THM with contained THM of 3,037 kt (Table 1.2). The estimated contained valuable heavy mineral consists of 1,055 kt of ilmenite (40 to 60% TiO<sub>2</sub>), 357 kt of altered ilmenite (60 to 95% TiO<sub>2</sub>), 111 kt of rutile (>95% TiO<sub>2</sub>), 153 kt of zircon, 735 kt of garnet and 232 kt of sillimanite. On the basis of tonnage, the Eastern Resource is categorised as 34% Measured, 50% Indicated and 16% Inferred.

**Table 1.2 EMP Mineral Resource estimate above a 5% THM cut-off (Capital Metals, 2018)**

Classification	Gross			Net Attributable			Operator
	Tonnes (Mt)	THM grade (%)	Contained THM (kt)	Tonnes (Mt)	THM grade (%)	Contained THM (kt)	
Measured	5.82	19.9	1,159	5.82	19.9	1,159	Capital Metals
Indicated	8.60	16.6	1,432	8.60	16.6	1,432	
Inferred	2.79	16.0	446	2.79	16.0	446	
<b>Total</b>	<b>17.21</b>	<b>17.6</b>	<b>3,037</b>	<b>17.21</b>	<b>17.6</b>	<b>3,037</b>	

*Note: Inconsistencies in totals due to rounding.*

### 1.4. GEOLOGY AND MINERALISATION

The Eastern Mineral Project deposit consists of active coastal sand and older sand berms that form a continuous strip of sand with concentrations of heavy minerals. The deposit has been defined over a strike length of 49 km by 1,643 shallow auger drill holes. The holes have been manually drilled to depths of between 0.3 m and 5 m for a total of 2,621 m and drill hole spacing varies along the coast from 50 m to 200 m. Grade estimation is based on analysis of approximately 3,000 sand samples.

The Tidal and Beach Zones of the deposit consist of alternating layers of yellowish brown sand and black mineralised bands with a high concentration of heavy minerals, predominantly ilmenite. The sands exhibit only minor staining of quartz grains by iron oxides. The sands are clean with a low slimes (<0.063 mm) fraction which is typical of beach sands. The Berm Zone of the deposit consists of similar alternating bands of sand and heavy mineral-rich bands, however, the sands are generally darker brown indicating higher levels of iron oxide staining due to the older age of these sand berms. The Fore-dune sand generally has a more homogenised sand and heavy mineral profile due its re-worked and transported nature.

### 1.5. MINING, PROCESSING AND INFRASTRUCTURE

In February 2015, a Scoping Study was completed for the mining, processing and infrastructure assuming a deposit size of 10 Mt, a target mining inventory of 8 Mt and a THM grade of 28%. The study was based on a 2011 drill hole database, (prior to any drilling completed in 2015). Optiro notes that the higher THM grade (28%) used in the Scoping Study was not substantiated by the later drilling. The Scoping Study considered an annual mine production of 500,000 tpa for a mine life of 16 years. The Scoping Study indicated that the deposit is amenable to efficient, low-cost dry mining and wet concentration methods utilising a mobile primary wet concentrator plant and further work was warranted.

Following the completion of the Mineral Resource estimate in 2016 and bulk sample metallurgical test-work between December 2016 and July 2017, the Capital Metals updated the process flowsheet and the capital and operating cost estimates to reflect the new flowsheet. The updated model uses capital and operating cost matrices to reflect 550,000 tpa operating modules and up to 1.65 Mtpa operating parameters as per the primary concentrator plant (PCP) and Mineral Separation plant (MSP)

operating capacities (see Section 5.1). Capital Metals considered the optimal mining and processing rate to be 1.65 Mtpa, or three 550,000 tpa operating modules.

The Target's objective is to develop its 100% owned EMP in an efficient and low-cost manner, by focusing on the establishment of a mining operation and associated mineral separation plant to produce mineral sands products for sale into the international markets.

The Target is planning to complete the following work:

- further infill drilling, initially within the first planned mining areas of Mulliadi, Urani and Omari, and then stepping out to further mining areas along the entire 49 km strike length
- an Environmental Impact Assessment obtaining Project approvals including converting the existing Exploration Licences to Industrial Mining Licenses
- a Feasibility Study
- finalise the optimum process flowsheet and the final product quality of the ilmenite, rutile, zircon and garnet for marketing purposes
- provide samples to potential customers and to support detailed design of the planned plant and equipment.

## 1.6. PROJECT POTENTIAL AND DEVELOPMENT

The Competent Person considers there is good potential for the development of the EMP subject to the completion of the Feasibility Study, mine permitting and definition of Ore Reserves. In this context, mine permitting means the completion of all of the activities and fulfilment of all obligations such that permission to build and operate a mine can be granted.

Significant progress has been made towards completion of the Feasibility Study with metallurgical test work and processing development. Further process engineering to determine processing plant capital and operating costs are required. Other inputs including site infrastructure (roads, water storage and power, etc.), administration, tax inputs and miscellaneous costs will be finalised during the Feasibility Study.

## 2. INTRODUCTION

### 2.1. TERMS OF REFERENCE

At the request of the EPO and Spark, an Independent Competent Person's Report on the Eastern Minerals Project located in Sri Lanka, has been prepared. This Competent Person's Report represents an independent assessment of the geology, exploration data, Mineral Resources and the mining, processing and infrastructure studies completed on the Eastern Minerals Project.

The Project is 100% owned by Capital Metals Limited (Capital Metals or the Target). Optiro understands that EPO has agreed terms with the Board of Capital Metals with respect to the acquisition of 100% of the ordinary share capital in Capital Metals.

Capital Metals was formed as a mining investment vehicle, incorporated under the British Virgin Islands (BVI) Business Companies Act (Certificate of Incorporation Number 1890161). The date of incorporation was 18 September 2015.

The Target holds a 100% interest in two Exploration Licences and nine Exploration Licence applications which together comprise the EMP. The Project (originally called the Pottuvil or Oluvil Mineral Sands Project) is located on the east coast of Sri Lanka within the Ampara District of the Eastern Province and hosts known heavy mineral sand mineralisation. The EMP is held through two 100% owned Sri Lankan private limited companies, Damsila Exports (Pvt) Limited (DEL) and Eastern Minerals (Pvt) Limited (EML).

This report has been prepared by Mr Jason Froud (Principal) and was reviewed by Mrs Christine Standing (Principal) both of Optiro. This report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets, 2015 Edition (the VALMIN Code, 2015), the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012) and the European Securities and Markets Authority (ESMA) update of the CESR recommendations (2013).

Mr Jason Froud and Mrs Christine Standing meet the competency criteria as set out under Section 11 of the JORC Code, 2012 and Section 3.1 of the VALMIN Code, 2015. Mr Froud (MAIG) is the Competent Person responsible for this report. Mr Froud is a consultant with Optiro Pty Ltd and has sufficient experience which is relevant to the style of mineralisation, type of deposit under consideration and to the activities being undertaken to qualify as a competent person as described by the JORC Code, 2012. Mr Froud consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The objectives of this report are to provide an overview of the geological setting of Capital Metals' mineral assets and the associated mineralisation, outline the recent and historic exploration work undertaken over the Project area, report on the Mineral Resources defined within the Project and comment on the exploration potential of the Project and the proposed future work.

Consent has been sought from Capital Metals' representatives to include technical information and opinions expressed by them. No other entities referred to in this Report have consented to the inclusion of any information or opinions and have only been referred to in the context of reporting any relevant activities.

## **2.2. VALIDATION OF LEGAL TENURE**

Optiro has not independently verified Capital Metals' legal tenure over its tenements. Optiro understands that Capital Metals' exploration licenses have now expired, however one is subject to an ongoing renewal application. The other will not be renewed, but land covered by that license is subject to industrial mining license applications. Capital Metals has commissioned Varners Legal in Sri Lanka to complete a legal opinion on the tenement status which is reflected elsewhere in Equatorial Palm Oil Plc's admission document. Among other things, this solicitor's report provides legal opinion on the status of Capital Metals' licences, forfeiture risk and royalties.

## **2.3. RESPONSIBILITY FOR THE INDEPENDENT TECHNICAL REPORT**

This report was prepared by Mr Jason Froud (Principal), and was reviewed by Mrs Christine Standing (Principal), both of Optiro.

This report has been prepared in accordance with the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (the JORC Code) and the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets, 2015 Edition (the VALMIN Code). The author and reviewer of this report are Members of the Australian Institute of Geoscientists (MAIG), and therefore are obliged to prepare mineral asset valuations in accordance with the VALMIN Code.

In developing its technical assumptions for the report, the Competent Person has relied upon information provided by Capital Metals and their consultants, as well as information obtained from other public sources. The material on which this report is based includes internal and open-file project documentation, technical reports, drill hole databases and resource models.

The Competent Person has independently reviewed all relevant technical and corporate information made available by the management of Capital Metals, which was accepted in good faith as being true, accurate and complete, having made due enquiry of Capital Metals. The Competent Person has additionally sourced publicly available information relative to Capital Metals' mineral assets.

Capital Metals has provided to Optiro and the Competent Person the drilling and sampling data and other information generated by Capital Metals and by previous owners of the Project areas. A site inspection was previously carried out by Mrs Standing between 14 and 17 September 2015 to establish reasonable grounds as to the soundness and conclusions of the data presented. Optiro understands and Capital Metals and EPO confirms that there have been no material changes to the Project area since its site visit.

### **3. OVERVIEW OF THE REGION, LOCATION AND ASSETS**

#### **3.1. SRI LANKA**

##### **3.1.1. INTRODUCTION**

Sri Lanka, officially the Democratic Socialist Republic of Sri Lanka, is an island country in the northern Indian Ocean off the southern coast of the Indian subcontinent in South Asia (Figure 3.1). Sri Lanka has maritime borders with India to the northwest and the Maldives to the southwest.

Sri Lanka is a republic and is governed by a semi-presidential system which is a mixture of a presidential and a parliamentary system. The nation's political capital is Sri Jayawardenapura Kotte and is a suburb of Colombo, the largest city and cultural capital of Sri Lanka.

The country has had a long history of international engagement, being a founding member of the South Asian Association for Regional Cooperation (SAARC), a member of the United Nations, the Commonwealth of Nations, a foundation member of the Group of 77 (G77) of developing nations and a member state of the 120-strong Non-Aligned Movement. Sri Lanka is also a member country of the Multilateral Investment Guarantee Agency (MIGA) and the only country in South Asia that is currently rated as high on the Human Development Index.

##### **3.1.2. POLITICS**

Sri Lanka a semi-presidential representative democratic republic, whereby the President of Sri Lanka is both head of state and head of government, and of a multi-party system. Presidential elections were held in Sri Lanka on 16 November 2019. The election was won, with a clear majority, by Gotabaya Rajapaksa of the Sri Lanka Podujana Peramuna (SLPP) party, who assumed office in January 2020. He replaced Maithripala Sirisena from the United National Party, who did not stand for re-election. After the election, Mr Rajapaksa named his brother, Mahinda Rajapaksa, the former President preceding Mr Sirisena, as the new Prime Minister. Parliamentary elections were held on 5 August 2020 to elect 225 members to Sri Lanka's 16<sup>th</sup> Parliament. The incumbent Sri Lanka People's Freedom Alliance coalition (of which the SLPP is a majority stakeholder) claimed a landslide victory in the election winning 145 seats.

The government has undertaken significant investment in upgrading the country's infrastructure, with assistance from Chinese and other foreign investors. In addition to improving road connectivity and power supply, the government's focus is firmly on developing the country's ports.

Figure 3.1 Sri Lanka (source: Capital Metals)



**3.1.3. LAW**

The legal framework of Sri Lanka is complex with a mixture of laws ranging from Rome, England, Holland, South India and old Ceylon. The religious and colonial history of the nation is the main factor responsible for the complicated legislative inheritance.

The Sri Lankan judicial system has the Supreme Court as the apex court of the nation followed by the Court of Appeal, High Court, District Courts, Magistrates' Courts and Primary Courts. The Constitution of the Democratic Socialist Republic of Sri Lanka has been the constitution since its original promulgation by the National State Assembly on 7 September 1978. It is Sri Lanka's second republican

constitution and the third since the country's independence (as Ceylon) in 1948 and has been formally amended 18 times since.

The Constitution provided for an independent judiciary and guaranteed fundamental rights that allow for any aggrieved person to invoke the Supreme Court for any violation of their fundamental rights.

The Constitution also provided for a Parliamentary Commissioner for Administration (Ombudsman) who can investigate public grievances against government institutions and state officers and give redress. It also introduced referendums on certain bills and on specific issues of national importance.

#### **3.1.4. SECURITY**

Until April 2019, the security environment had significantly improved in Sri Lanka since the end of the civil war in 2009. However, ethnic and social fault lines between the Sinhala and Tamil communities persist, partly due to the Sri Lankan government's unwillingness to devolve greater powers to minority Tamils in the northern and eastern regions of the country.

On 21 April 2019, Easter Sunday, Sri Lanka experienced a wide-scale terrorist attack with Islamic suicide bombings taking place at a number of churches and hotels in Colombo, Dermatagoda and Dehiwala. Although it is believed the attacks were primarily influenced by the Islamic State of Iraq and Levant, tensions greatly increased between the country's Buddhist majority and Muslim minority.

Whilst the Sinhala-Tamil and Buddhist-Muslim fault lines are unlikely to pose direct threats to foreign businesses and personnel, resultant security incidents may pose incidental risks to personnel and assets.

Strikes, riots and civil commotion occur infrequently throughout the country. Tensions persist between the region's multi-ethnic and multi-religious communities, but are mainly a source of sporadic unrest. The President's and armed forces' strong control of the security situation means that such activities are likely to be quickly brought under control. Heavy penalties and tight security diminish the chances of damage to property from civil commotion.

### **3.2. SRI LANKAN MINERAL INDUSTRY**

#### **3.2.1. OVERVIEW**

Sri Lanka is endowed with a variety of industrial commodities and minerals which include ball clay, kaolin and other clays; calcite; dolomite; feldspar; gemstones; graphite; limestone; mica; heavy mineral sands; phosphate rock; quartz and silica sand.

The country's mineral industry produces cement, gemstones and jewellery, non-metallic minerals and petroleum products. No metals or crude oil is produced and all petroleum is imported for refining.

#### **3.2.2. MINING REGULATIONS**

The development of mineral resources is governed by the Mines & Minerals Act No.33 of 1992, the Mines & Minerals (Amended) Act No.66 of 2009 and the Mining (Licensing) Regulations No. 1 of 1993 (Gazette 794/23) and revisions thereafter. Under the Mines and Minerals Act, the Geological Survey and Mines Bureau (GSMB) issues Exploration, Mining, Trading and Transport Licenses.

An Exploration License grants the license holder the exclusive right to explore for all mineral categories authorised by the licence. The Mining (Licence) Regulations (No 1 of 1993) Amendment dated 10 October 2005 (No. 1418/27) state that the minimum technical expenditure amount per square kilometre on an Exploration Licence is initially LKR 20,000/year (~£195/year) increasing through subsequent years over the license duration.

There are two categories of Mining Licences, namely artisanal and industrial. There is a procedural standard in place for the transition from an Exploration Licence to a Mining Licence should exploration activities be successful.

An Artisanal Mining Licence grants the license-holder the exclusive right to mine, process and trade/export in all minerals specified in the license within an area not exceeding ten hectares or to a depth not exceeding 25 m. An Industrial Mining Licence grants exclusive right to explore for, mine, process and trade in all minerals mined within the area of a specified license.

A Trading License grants the non-exclusive right to purchase, store, process, trade in and with the special authorisation from the Director of the Geological Survey and Mines Bureau (GSMB), to export minerals in respect of which the license is issued.

All exploration, mining and trading licensees are required to obtain the special authorisation of the Director of the GSMB to export minerals in respect of which the license is issued.

A licence to transport mineral-bearing substances or minerals is required for such quantity and period and for such minerals as may be specified in such license. All Exploration, Mining and Trading Licenses require a Transport License to transport mineral-bearing substances or minerals.

Mining royalties are levied by the Sri Lankan government through the GSMB at the rate of 7% of revenue (for exported industrial mineral products) and the corporate tax rate is 14%. The Sri Lanka Export Development Board (EDB) applies a Cess Export Levy on all exports on a per tonnage basis including LKR1,650/t (~£8) on ilmenite, LKR2,200/t (~£10.50) on rutile and LKR550/t (~£2.60) on zircon. With regard to garnet, Capital Metals are currently in discussion with the EDB and GSMB to seek clarity on what appears to be an incorrect rate of LKR24,200/t. The EDB have suggested this may potentially be a typographical error (from LKR2,420) and Capital Metals continue to pursue the matter with these two authorities. There are no other royalties relating to the Project.

### 3.3. HEAVY MINERAL SANDS

Heavy mineral sands (HMS) refer to a range of individual minerals which have a higher density (specific gravities above 2.9 cm/g<sup>3</sup>) than typical coastal sands which are predominantly composed of quartz. Mineral sands deposits are largely hosted by coastal sands (or palaeo-coastal sands) that contain significant concentrations (Figure 3.2) of the more valuable heavy minerals which include:

- ilmenite (iron-titanium oxide, 40 to 60% TiO<sub>2</sub>)
- leucoxene (altered ilmenite with elevated titanium content, 60 to 95% TiO<sub>2</sub>)
- rutile (titanium dioxide, >95% TiO<sub>2</sub>)
- zircon (zirconium silicate)
- garnet (silicate containing iron, calcium, magnesium and others)
- sillimanite (alumino-silicate).

Figure 3.2 EMP – typical mineral sands profile (source: Capital Metals)



Heavy minerals typically originate within extensive hard rock masses formed as accessory crystals in igneous rocks such as granite, pegmatite and basalt as well as some metamorphic rocks. Over geological time these igneous and metamorphic rocks are weathered and eroded, with the liberated mineral grains subsequently transported to the sea by streams and rivers. The heavy minerals are then concentrated by wave action in the beach zone as the lighter quartz grains are preferentially transported laterally along the coast or to the lower energy off-shore environment. Wind may also help to concentrate the heavy minerals by blowing away the lighter quartz sand and in some cases forming mineralised berms and dunes. As a result of these concentration processes, the heavy mineral deposits often form 'strand-lines' and may eventually result in preserved inland deposits being located some distance from the present-day beach.

### 3.3.1. TITANIUM PRODUCTS

The titanium ores of ilmenite and rutile are primarily sold as feedstocks for four down-stream processing sectors, being:

- Synthetic rutile

Ilmenite feedstocks may be treated in large rotary kilns where the titanium content is increased through the conversion of iron to its metallic state in a reducing environment. Typically, the titanium content of synthetic rutile is around the 90% mark which renders it suitable for the further processing to pigment or metal.

- Slagging

Titanium slag is produced through the smelting of ilmenite feed-stock in an electric arc furnace resulting the production of slag (approximately 85%  $TiO_2$ ) as well as a saleable high purity iron by-product. The majority of slag is subsequently consumed in the pigment sector described below.

- Titanium dioxide pigment

Titanium dioxide pigment is produced through one of two processes known as the sulphate route and the chloride route. The white pigment produced is primarily used in the paint industry as it is non-toxic and has the ability to reflect and scatter all colours of light while absorbing ultraviolet light. It has replaced lead-based pigments in paints and when mixed with plastic and paper it gives them an opaque, white glossy sheen.

Titanium dioxide pigment is also used in the manufacture of many sunscreens because of its non-toxicity and ultraviolet light absorption properties. It is also added to foodstuffs such as flour, icing sugar and sweets as well as cosmetics and toothpaste to improve their brightness.

- Titanium metal

Titanium metal is a light and strong metal with a high melting point. Its lightness, strength and inertness also makes it ideal for use in heart pacemakers, artificial limbs/joints, spectacle frames and watches.

Titanium metal is also used in rockets, jet aircraft and sporting equipment and when mixed with other metals such as iron, manganese and aluminium, it forms alloys which are both temperature and corrosion resistant. These alloys are used in power stations, paper mills, oil refineries and desalination plants.

### **3.3.2. ZIRCON**

Zircon (or zirconium silicate  $ZrSiO_4$ ) is typically milled and then used in the ceramic industry for glazes and as an opacifier on kitchen and bathroom tiles, dinnerware and decorative ceramics. It is also used in the glaze on tiles, baths, basins and tableware.

Industrial ceramics containing zircon are used in applications requiring heat and corrosion resistance. Some industrial ceramics are referred to as 'refractories' which are materials that retain their physical shape and chemical composition when subjected to high temperatures and are extensively used as linings to protect furnaces and kilns for smelting and casting of metal and glass and for the manufacture of chemicals.

A growing application of zircon is in the zirconium chemicals industry with a major use in catalytic converters to control motor vehicle emissions.

### **3.3.3. GARNET**

Garnet sand is an excellent abrasive and a common replacement for silica sand in sand blasting. It is a cost-effective alternative to silica sand, mineral slags and steel grits for high-speed blasting purposes as it presents an effective mix of grain size, density and hardness/durability for creating abrasive efficiency.

Alluvial garnet grains which are rounded are more suitable for such blasting treatments. Mixed with high pressure water, garnet is used to cut steel and other materials in water jets.

There are various kinds of abrasive garnets which can be divided based on their origin. The largest source of abrasive garnet today is garnet-rich beach sand of which the main producers today are Australia and India. The Sri Lankan garnets are considered analogous to the Indian garnet sands.

Garnet sand is also used for water filtration media.

### 3.3.4. SILLIMANITE

About 95% of the sillimanite minerals produced are used as raw material for the refractory industry in the manufacturing of non-basic, high-alumina refractories. Sillimanite minerals are an essential component of high-alumina refractories forming the inner lining of furnaces and high-temperature vessels widely used in the production of metals, ceramics, glass and cement.

The major end use of sillimanite minerals is in the iron and steel industries and the major consumers are found in the major iron and steel producing areas of the world.

## 3.4. EASTERN MINERALS PROJECT

### 3.4.1. INTRODUCTION

The EMP is located in the Ampara District of the Eastern Province of Sri Lanka. The Project is close to the towns of Pottuvil and Akkaraipattu on the south-eastern coastline as shown in Figure 3.1. The Project is approximately 220 km east of Colombo. The Project may be accessed at a number of points along the coast from the A4 national highway which runs from Colombo via Ratnapura and Pottuvil to Batticaloa. Pottuvil is approximately 320 km from Colombo by road, a journey that takes around 6 to 7 hours, or 50 minutes by scheduled sea plane from Colombo to Arugam Bay.

The Oluvil area is serviced by the local towns of Pottuvil and Akkaraipattu and the district capital Ampara which is approximately 30 km from the coast. Ampara is the location for all district government offices. The port of Oluvil is located approximately 10 km north of Akkaraipattu and the northern end of the deposit. It is envisaged this port may be used for export of final mineral products should the Project be developed.

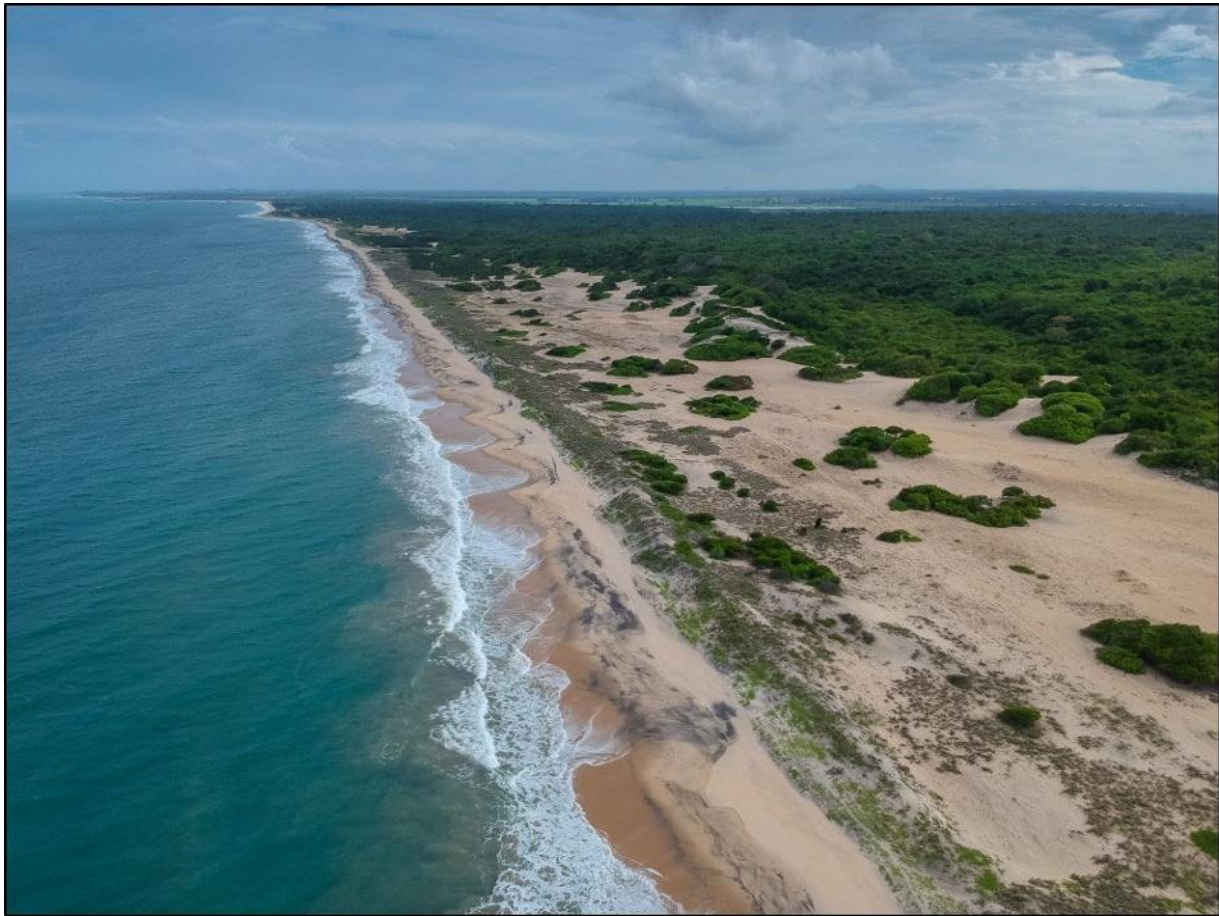
The Project is located on the coastline which is backed by a wide alluvial plain. The coastal area consists of a series of shallow lagoons and estuarine habitats fronted by a dunal sand belt which is up to 1 km wide (Figure 3.3). The deposit consists of a continuous strip of mineralised sands ranging from 25 m to 250 m wide. The topography is generally flat except for the occasional low hills formed of granitic boulders and low-lying rocky promontories on the coast where basement rocks are exposed.

### 3.4.2. TENURE AND OWNERSHIP

The EMP comprises two granted Exploration Licences covering 84 km<sup>2</sup> and nine Exploration Licence applications covering a further 623 km<sup>2</sup> (Table 3.1 and Figure 3.4). The licences are held through two 100% owned Sri Lankan private limited companies, Damsila Exports Private Limited (DEL) and Eastern Minerals Private Limited (EML). DEL holds the northern part of the Project area through its ownership of EL168/R/4 (EL168 or EMP North); and EML holds the southern part through its ownership of EL199/R/4 (EL199 or EMP South).

EL168/R/4 was granted in September 2010 and covers an area of 47 km<sup>2</sup>. EL199/R/3 was granted in September 2012 and covers an area of 37 km<sup>2</sup> for a total granted licence area of 84 km<sup>2</sup>. In September 2018, Capital Metals (through DEL and EML) renewed the Exploration Licences for a further two years.

EL168/R/4 expired on 31 October 2020, and we understand Capital Metals has applied for an Industrial Mining Licence over the licence area. EL199/R/3 expired on 31 October 2020 and a renewal application for a further two year term has been made. Based on the actual expenditure amounts on EL168 and EL199 the licences have significant expenditure credits available to be carried forward for future licence renewal periods.

**Figure 3.3** Urani coastal area (source: Capital Metals)

Furthermore, since September 2016, DEL and EML have made approximately 623 km<sup>2</sup> of licence applications surrounding Exploration Licences 168 and 199, both onshore and offshore, to cover interpreted extensions to the mineral sands deposits (Table 3.1). The Exploration Licences and Exploration Licence applications include an exclusive right to apply for Industrial Mining Licences.

EMP North is further sub-divided into five deposit sections named after coastal localities and listed from north to south – Tampaddai, Thirukkovil, Mulliadi, Omari and Sangamankanda (Figure 3.5). EMP South is sub-divided into six deposit sections named after coastal localities and listed from north to south – Komari, Komari South, Urani, Pottuvil, Arugam Bay and Sastrawela (Figure 3.5).

Optiro is not qualified to provide legal opinion on the status of the Project licences but has reviewed Capital Metals' licence permits and found them to be in good order. Optiro is satisfied that Capital Metals has good and valid title to the described licences required to explore and undertake project development studies on the Project in the manner proposed. Capital Metals has met or exceeded licence conditions and expenditure (or exemptions have been granted) and Optiro considers it likely that the licences will be renewed as and when required. Any future commercial exploitation of mineralisation will require the grant of a Mining Licence. Optiro understands Capital Metals has commissioned Varners Legal in Sri Lanka to complete a solicitor's report on the tenement status which is included elsewhere in this Prospectus .

**Table 3.1 EMP tenement schedule**

Tenement number	Asset	Registered holder	Interest	Status	Expiry date	Area km <sup>2</sup>
EL168/R/4	EMP North (Sri Lanka)	DEL	100%	Exploration	31 Oct 2020 <sup>1</sup>	47
EL199/R/3	EMP South (Sri Lanka)	EML	100%	Exploration	31 Oct 2020 <sup>2</sup>	37
COM/EL/2017/199	EMP North (Sri Lanka)	DEL	100%	Exploration		60
COM/EL/2018/1101	EMP North (Sri Lanka)	DEL	100%	Exploration		24
COM/EL/2017/201	EMP North (Sri Lanka)	DEL	100%	Exploration		79
COM/EL/2017/202	EMP South (Sri Lanka)	EML	100%	Exploration		79
COM/EL/2017/203	EMP South (Sri Lanka)	EML	100%	Exploration		83
COM/EL/2017/207	EMP North (Sri Lanka)	DEL	100%	Exploration		50
COM/EL/2017/209	EMP North (Sri Lanka)	DEL	100%	Exploration		100
COM/EL/2017/208	EMP North (Sri Lanka)	DEL	100%	Exploration		48
COM/EL/2017/210	EMP South (Sri Lanka)	EML	100%	Exploration		100

1. application for an Industrial Mining Licence in place

2. renewal application for further two-year period in place.

### HISTORIC PRODUCTION/EXPENDITURES

There has been no recent production or operating expenditure at the EMP.

The minimum expenditure to maintain an Exploration Licence in Sri Lanka is LKR 20,000 (£195) /year per square kilometre. This equates to LKR 0.94 M and LKR 0.74 M per year for Exploration Licences 168 and 199 respectively. Capital Metals expenditure on Exploration Licences 168 and 199 is summarised in Table 3.2. These costs include resource drilling, sample analysis, studies, salaries and site and administration costs.

**Table 3.2 Exploration Licence expenditure (million Sri Lankan rupee)**

Period	Licence	
	EL168	EL199
Sept 2014 to Sept 2015	Rs 13.35 M	Rs 11.45 M
Oct 2015 to Sept 2016	Rs 17.78 M	Rs 20.88 M
Oct 2016 to Sept 2017	Rs 68.07 M	Rs 30.82 M
Oct 2017 to Sept 2018	Rs 64.43 M	Rs 43.04 M
Oct 2018 to Sept 2019	Rs 45.10 M	Rs 34.93 M
<b>Total</b>	<b>Rs 208.73 M</b>	<b>Rs 141.73 M</b>

Figure 3.4 Eastern Mineral Project Exploration Licences and applications (Source: Capital Metals)

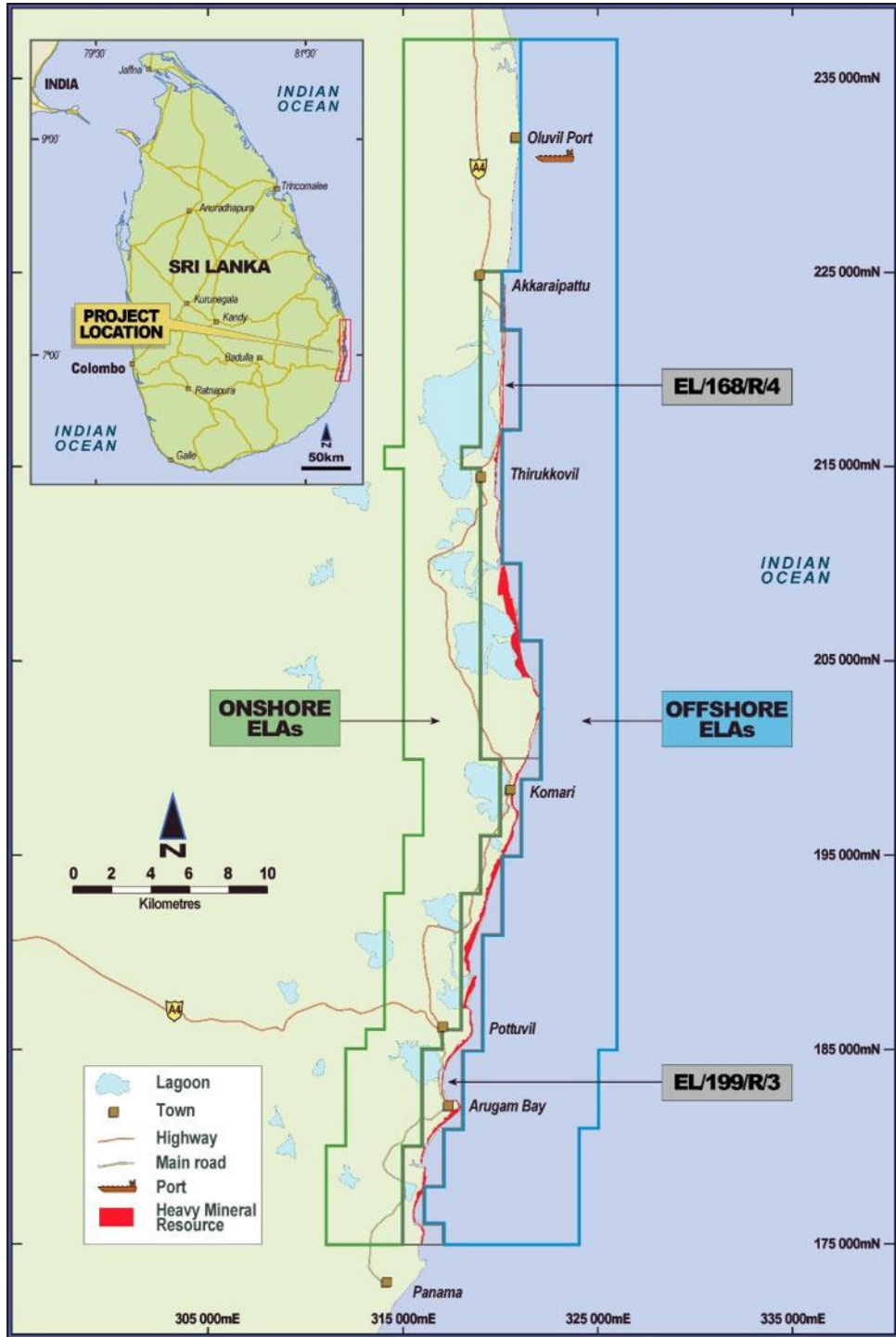
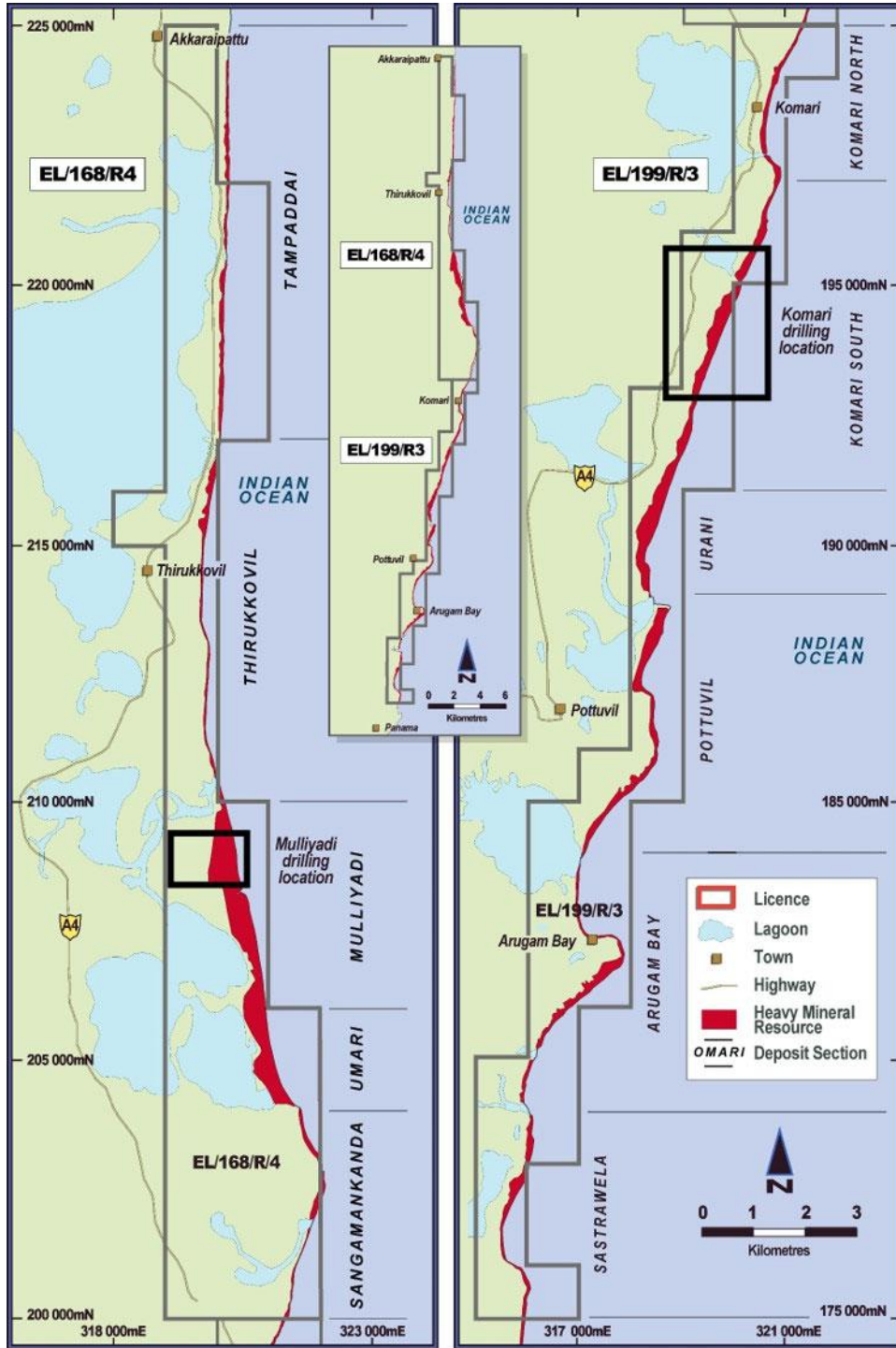


Figure 3.5 EL168 (EMP North) and EL199 (EMP South) Exploration Licence (Source: Capital Metals)



3.4.3. GEOLOGY

REGIONAL GEOLOGY

Approximately 90% of the island of Sri Lanka consists of Precambrian metamorphic rocks (Figure 3.6). This comprises high-grade metamorphic rocks of granulite to amphibolite facies. The Sri Lankan Precambrian consists of four distinct Proterozoic tectonic provinces, namely; the Highland Complex, Wannai Complex, Vijayan Complex and Kadugannawa Complex. The rest of the landmass, which extends from the west to the north of the country as a narrow belt almost parallel to the coastal margin, consists of Cenozoic sedimentary rocks.

The Highland Complex is characterised by the oldest crust formation ages of 2 to 3 Ga and granulite-facies metamorphism. The Wannu Complex and Kadugannawa Complexes are composed of upper-amphibolite to granulite facies rocks with 0.9 to 2 Ga crust formation age. The Vijayan Complex is an amphibolites-facies terrain of 1 to 2 Ga crust formation age. The main known mineral resources associated with the basement rocks are gemstones and graphite.

A varied sequence of Quaternary deposits covers the low-lying coastal plain around much of Sri Lanka. Some Late Pleistocene deposits are related to worldwide changes in sea level, while the characteristic morphology of the coast is produced by very active long-shore drift from south to north, coupled with very low tide ranges. Onshore winds during the two monsoons (one from the northeast and one from the southwest) redistribute the sand inland as large dunes, a climatic pattern that is at least as old as the Late Pleistocene. Beach and dune sands contain potentially economic deposits of mineral sands in which the dominant minerals are generally ilmenite, garnet, rutile, zircon, sillimanite, magnetite and monazite.

The GSMB considers that the source of heavy minerals found in the sand deposits of the Project are the Precambrian rocks of the Highland Complex. Rivers which flow to the sea to the south of Pottuvil have their headwaters in the Highland Complex and result in deposition of heavy minerals along the southern part of the east coast of Sri Lanka.

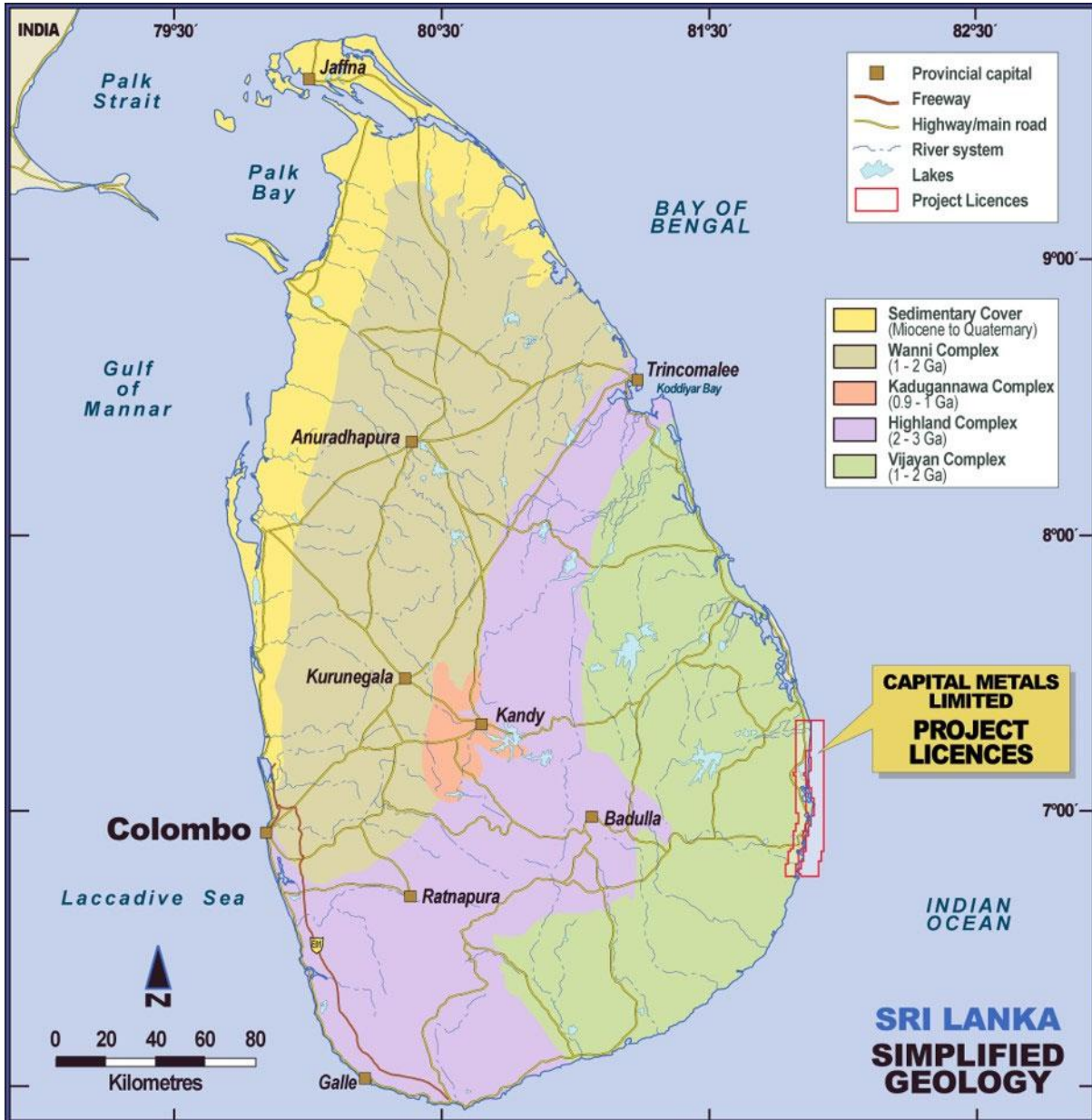
#### **LOCAL GEOLOGY**

The Eastern Mineral Project deposit consists of active coastal sand and older sand berms that form a continuous strip of heavy mineralised sands (Figure 3.5). The deposit has been defined over a strike length of 49 km by 1,643 shallow auger drill holes. The holes have been drilled to depths of between 0.3 m and 5 m for a total of 3,621 m and drill hole spacing varies along the coast from 50 m to 200 m. Grade estimation is based on analysis of approximately 3,000 sand samples.

The area is underlain in the east by Precambrian Vijayan Complex rocks consisting of a mix of granitoids and orthogneisses. In the Pottuvil-Akkaraipattu area, the coastal strip consists of Quaternary lagoonal and estuarine deposits which extend inland for up to 2 km from the coast, fringed by a near continuous belt of dunal sands ranging in width from 100 m to 1,000 m. These Quaternary deposits overlie a peneplained basement and attain an estimated maximum thickness of up to 20 m.

On the seaward side of the dune sands there is a continuous zone of beach sands ranging in width from 50 m to 250 m. The beach sands form a line of barrier bars and sand spits and the berm of the current deposit. The beach sands are a result of wave action on a relatively shallow sea floor combined with long-shore transport of sand, particularly influenced by the northeast monsoon period and a dominant material movement from the southwest between April and October each year. There are occasional rock bars off-shore and small rocky promontories along the coast formed of basement granite and gneiss as well as younger cemented beach sands.

Figure 3.6 Simplified geology map showing the subdivision of Sri Lankan (after Cooray, 1994)



The deposit consists of active beach sand and older sand berms that form a continuous strip of mineral sand that extends from Akkaraipattu southwards for 50 km to approximately 10 km south of Pottuvil. The deposit is split for licensing and evaluation purposes into north and south with the dividing point at the village of Komari.

The deposit can be divided into four zones:

- Tidal Zone – an active zone of deposition that extends from low to high water mark to a depth of 1 m and ranges in width from 5 m to 15 m.
- Beach Zone – a zone above the high-water mark (except in storm periods), that is typically separated from the Tidal Zone by a distinct break in slope of between 0.5 m and 1.5 m in height. The Beach Zone is generally unvegetated, varies between 10 m and 60 m in width and averages 1 to 2 m thick.
- Berm Zone – a zone separated from the Beach Zone by a break in slope of 0.5 m to 1.0 m in height; the area is generally vegetated by various coastal grass species and low shrubs,

and in EMP South grades into low dunal sands away from the beach. The Berm Zone varies considerably in width from very narrow to more than 250 m and attains a depth of around 2 to 3 m.

- Fore-dune Zone – in EMP South, this zone is intermittently developed along the coast with low dunes and sand ridges up to 3 m high which grade into more substantial dunes which in some areas form a belt up to 1 km in width.

The Tidal and Beach Zones consist of alternating layers of yellowish brown sand and black mineralised bands with a high concentration of heavy minerals, predominantly ilmenite. The sands exhibit only minor staining of quartz grains by iron oxides. The sands are clean with a low slime (<0.063 mm) fraction which is typical of beach sands. The Berm Zone consists of similar alternating bands of sand and heavy mineral-rich bands however the sands are generally darker brown, indicating higher levels of iron oxide staining due to the older age of these sand berms. The Fore-dune sand generally has a more homogenised sand and heavy mineral profile due its re-worked and transported nature.

The mineral sand units and average total heavy mineral (THM) and valuable heavy mineral (VHM) grades are summarised in Table 3.3.

**Table 3.3 Deposit geology of the mineral sand units at the EMP**

Mineral sand unit	THM Average wt%	VHM Average wt%	Description
Tidal Zone (North)	18	16	Clean yellow-brown, fine sand with active deposition of heavy minerals to a depth of 1 m, width 5 to 15 m
Beach Zone (North)	18	16	Clean yellow-brown, fine sand with alternating black 1 to 5 cm HM-rich bands to a depth of 1.5 m, width 10 to 50 m
Berm Zone (North)	20	18	Brown fine sand, uncemented with alternating black 1 to 5 cm HM-rich bands to a depth of 2 to 3 m, width 5 to 250 m
Tidal Zone (South)	15	13	Clean yellow-brown, fine sand with active deposition of heavy minerals to a depth of 0.5 m, width 5 to 15 m
Beach Zone (South)	13	11	Clean yellow-brown, fine sand with alternating black 1 to 5 cm HM-rich bands to a depth of 1.5 m, width 10 to 60 m
Berm Zone (South)	16	14	Brown fine sand, uncemented with alternating black 1 to 5 cm HM-rich bands to a depth of 2 m, width 10 to 100 m
Fore-dune Zone (South)	18	16	Brown fine dunal sand, disseminated heavy minerals or weak heavy mineral banding to a depth of 5 m, width 10 to 100 m

Note: wt% = in-ground weight percentage; VHM includes ilmenite, altered ilmenite, leucoxene, rutile, zircon, garnet and sillimanite; average THM and VHM wt% grades above a 5% THM cut off

#### 3.4.4. MINERALISATION

The THM component of the mineral sand deposit consists of the VHM minerals ilmenite, altered ilmenite, leucoxene, rutile, zircon, garnet and sillimanite; trash minerals include hornblende, magnetite and monazite. The sand component is composed predominantly of quartz with a small percentage of feldspar.

The clay-silt fraction (<0.063 mm) or slimes is low, generally ranging from 0.2 to 3.0% and averaging around 0.5% which is typical of beach sand deposits. EMP North has a slightly higher average slimes at 0.7% compared with EMP South at 0.4%. The oversize (>1.0 mm) coarse sand component ranges from 2 to 20% and averages 5%. In the Mulliadi and Omari sections, the far western Berm Zone tends to be higher in oversize (>7.0%) and slimes (>1.0%) which may be related to the greater age of this part of the Berm Zone.

Having a low slimes fraction is considered highly beneficial as heavy mineral deposits with elevated slime contents are burdened with tailings management issues. Slimes can also form coatings on sand grains and thus reduce the ability for standard equipment to efficiently recover valuable minerals. High slimes levels may increase operating costs and impact on the ability to back-fill mining voids complicating rehabilitation requirements.

### **DISTRIBUTION OF THM AND VHM**

The average THM and VHM for each deposit zone are included in Table 3.3. The THM is on average higher in EMP North than EMP South. In EMP North, the average grade of the Tidal Zone in the five deposit sections ranges from 10% to 22% THM; the Beach Zone ranges from 11 to 23% and the Berm Zone from 9 to 30%. On average, the Berm Zone exhibits the highest grades in the deposit.

The highest THM grades, averaging above 25% THM, are found in the Berm Zone in Tampaddai, Thirukkovil and the eastern Berm Zone in Mulliadi and Omari. In the latter two deposit sections, the Berm Zone is up to 250 m wide and in this area the grade decreases to the west. Infill drilling at a 50 m by 50 m spacing in the Mulliadi area indicates that the high grade eastern Berm Zone is around 100 m wide. To the west of this zone the THM grade decreases rapidly from an average of 25% to around 10% over a distance of approximately 50 m. The high grade eastern Berm Zone in the Mulliadi area is over a 900 m strike length and is associated with what appears to be a sandstone rock bar. Auger holes in this area drilled into a moderately hard sandstone layer with high grade mineral sand lying above the sandstone.

In EMP North, the sand deposit generally has a gradational base with respect to THM grade. The top 1 m tends to host the highest grade with THM grade reducing gradually with depth. The grade gradation is not as well developed in EMP South although is noted in some drill holes. In the south the grade is more uniformly distributed with occasional lower grades in the top metre and higher grades at depth.

In EMP South, the Fore-dune Zone is the highest-grade deposit zone. Grade ranges are generally less than in EMP North; the average Berm Zone grade over the six deposit sections in the south ranges from 13 to 18% THM.

The VHM minerals on average make up 87% of the THM. VHM consists predominantly of ilmenite and garnet with lesser amounts of leucoxene, rutile, zircon and sillimanite. Ilmenite and garnet combined represent on average 68% of the total contained VHM. The ilmenite to garnet ratio varies in the deposit from north to south. In EMP North ilmenite, as a percentage of the total THM, averages 37.5% and garnet 17.6%. In EMP South these values are 32.4% and 29.8% respectively. Leucoxene, rutile and zircon also exhibit a change between north and south with leucoxene averaging 15.3% in EMP North and 8.7% in EMP South; rutile averages 4.6% in EMP North and 2.9% in EMP South; and zircon averages 5.8% in EMP North and 4.4% in EMP South. Sillimanite is at a similar percentage of around 7.7% throughout the deposit.

### **3.4.5. EXPLORATION**

In 2011, DEL contracted the GSMB to carry out geological mapping and manual auger drilling of the mineral sand deposit within EL168/R/4. Minimal work was completed on the license during the 2012 to 2013 period while DEL was seeking a joint venture partner to assist with development of the deposit.

In 2014, DEL and EML entered into a memorandum of understanding with technical consultants RGD1 Resources Limited (RGD1) whereby RGD1 provided technical and commercial management to the Project including managing a Scoping Study as part of a value addition-divestment strategy. RGD1 managed all technical aspects of the Project from 2014 to April 2016 including completing various

drilling programmes, Mineral Resource estimates and a Scoping Study for the Project, after which Capital Metals acquired DEL and took over all project management.

During the period June to October 2015, RGD1 conducted a number of shallow auger drilling programmes in order to verify the historical GSMB data and to test potential areas for additional mineral sand resources in both EMP North and EMP South.

The drilling was carried out by Engineering and Laboratory Services (Pvt) Limited (ELS) of Colombo and supervised by RGD1. Drill samples were analysed by Western Geolabs Pty Limited (WGL) in Perth, Australia and drill composite samples for mineral assemblage data were prepared by Robbins Metallurgical Pty Limited (Robbins) in Brisbane, Australia and analysed using QEMSCAN and XRF by Bureau Veritas Pty Limited (Bureau Veritas) in Perth, Australia.

## GEOLOGICAL MAPPING

Geological mapping of the three zones within the mineral sand deposit (excluding Fore-dune Zone) using hand-held GPS was completed at a scale of 1:1,500 by GSMB. This comprised EMP North in 2012 and EMP South in January 2015. In addition to mapping the limits of the mineralised zones and rock outcrops, cultural features bordering the deposit such as location of settlements, roads, cultivated areas, cemeteries etc. were also recorded.

ELS completed verification mapping of the Beach-Berm Zone boundary using hand-held GPS in the areas drilled by RGD1 during 2015. This mapping resulted in only minor changes to the Beach-Berm boundary previously defined by GSMB mapping.

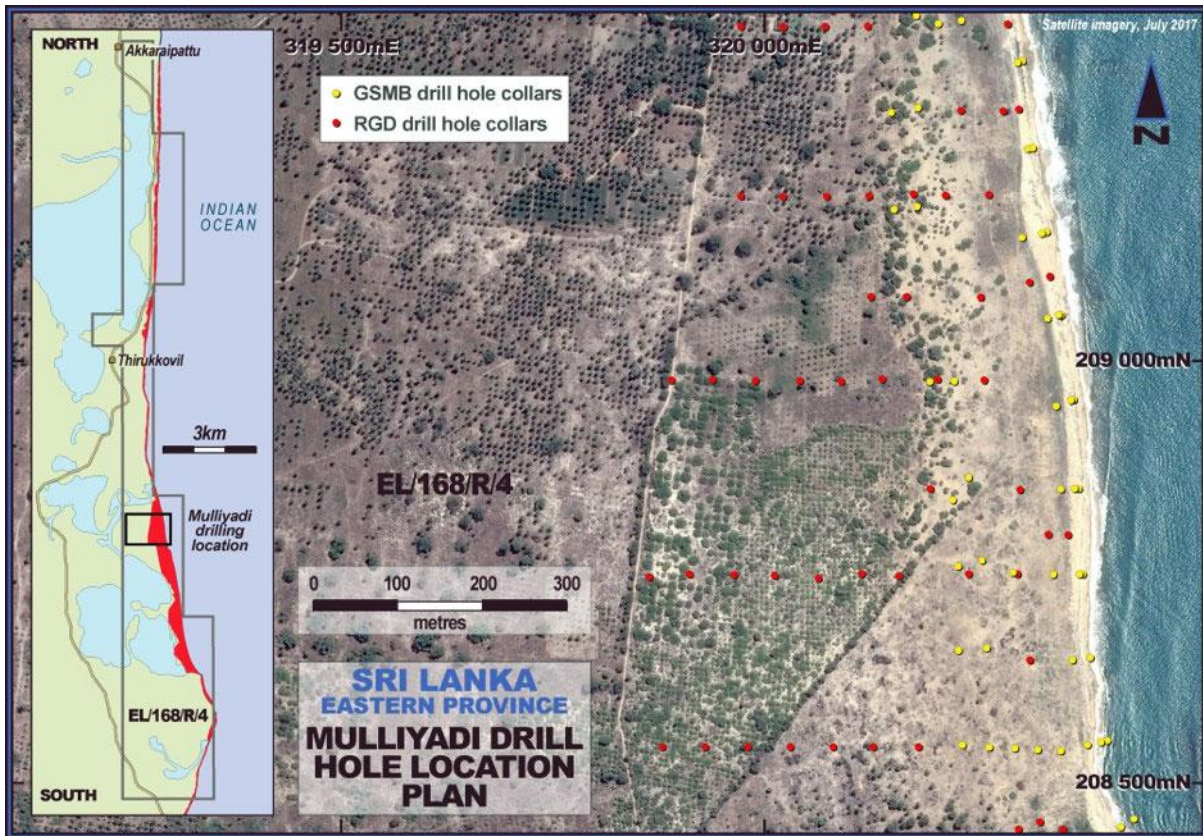
## DRILLING

The EMP deposit has been defined by 1,643 shallow auger drill holes totalling 2,621 m of drilling. The drilling was completed over a number of programmes between 2012 and 2015. The first drilling was completed by GSMB on behalf of DEL and EML. RGD1 carried out drilling between June and October 2015. A drilling summary is shown in Table 3.4. As the EMP covers approximately 49 km of strike it is not practical to display all drill hole locations on a single plan. A drill hole plan through the Mulliadi section of the deposit (an area with some of the widest, across strike mineralisation) is provided in Figure 3.7 and through the Komari section in Figure 3.8.

**Table 3.4 EMP drilling summary**

Drill Programme	Date	Location	Number of Holes	Metres
GSMB	January 2012	Oluvil North, all deposit sections	585	670
GSMB	January 2015	Oluvil South, all deposit sections	567	908
<b>Subtotal</b>			<b>1,152</b>	<b>1,578</b>
RGD1	June to October 2015	Oluvil North, all deposit sections	340	678
RGD1	July to August 2015	Oluvil South, Komari North	151	365
<b>Subtotal</b>			<b>491</b>	<b>1,043</b>
<b>Total</b>			<b>1,643</b>	<b>2,621</b>

Figure 3.7 EMP drilling plan, Mulliyadi section (source: Capital Metals)



**Drilling by GSMB**

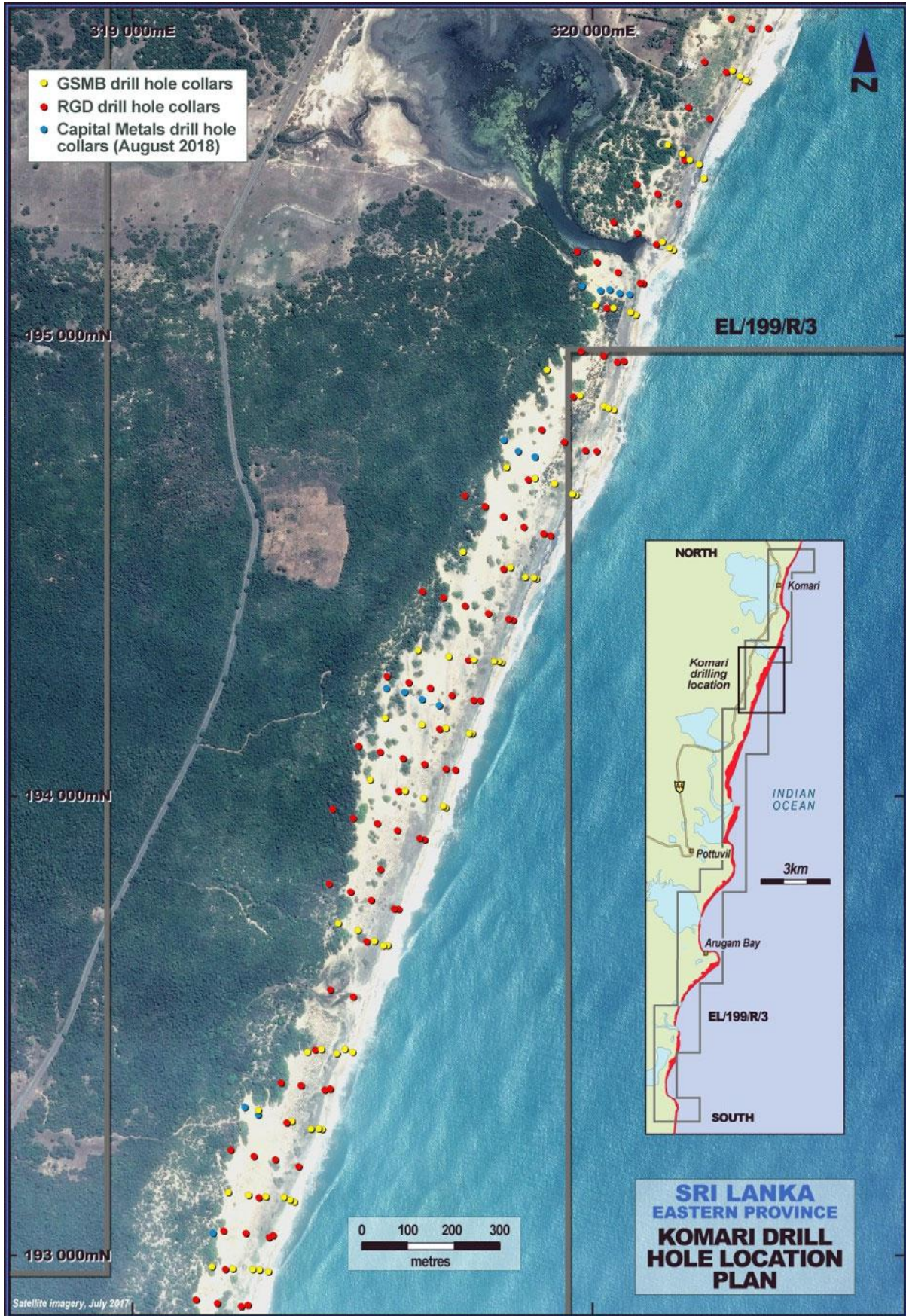
GSMB completed 585 drill holes totalling 670 m in EMP North over a strike length of 25 km in January 2012. Drilling was carried out using an Ivan Type 4 hand auger. Holes were drilled on 239 traverses orientated normal to the direction of the coast line at 100 m intervals along the deposit. Holes were drilled to a maximum depth of 0.3 m in the Tidal Zone, 1.0 m in the Beach Zone and up to 2.0 m in the Berm Zone. Typically, on each drill traverse, one hole was drilled in the Tidal Zone, one in the Beach Zone and between one and five holes in the Berm Zone. Holes in the Berm Zone were spaced 15 to 20 m apart.

Holes were logged for sand colour, grain size and shape, THM mineralisation type (either ilmenite or garnet dominant) and visual percentage estimate of THM content. Features such as intersection of bedrock, groundwater table or abrupt changes in the mineralisation content were recorded in the Remarks column.

Holes in the Tidal and Beach zones were sampled with one sample per hole. Holes in the Berm Zone were sampled at one metre intervals; typically there were either one or two samples taken per hole. Holes in the Berm Zone were terminated mainly due to low THM grade, with the remainder due to intersection of bedrock or the water table.

In January 2015, GSMB was contracted by EML to carry out auger drilling in EMP South. Drilling was completed using the same 4" hand auger equipment as used for EMP North. Drilling of 567 holes totalling 908 m was completed on 153 traverses at 200 m spacing. A single hole was drilled in each of the Tidal and Beach Zones. The Berm Zone which is up to 150 m wide was drilled with 1 to 4 holes spaced at approximately 50 m spacing. Hole depths ranged from 0.3 m in the Tidal Zone to 5 m in the Fore-dune Zone.

Figure 3.8 EMP drilling plan, Komari section (source: Capital Metals)



### Drilling by RGD1

RGD1's contractor ELS carried out drilling in EMP North and EMP South during the period June to October 2015. ELS purchased new 100 mm hand auger equipment from Dormer Pty Limited in Australia (Figure 3.9). This equipment is suitable for drilling in dry sand deposits to a maximum depth of 5 m. Drill holes were filled in on completion of drilling and collar positions marked by pegs for subsequent survey pick-up.

Infill resource drilling in EMP North was conducted over a 5 km strike length in the Mulliadi and Omari sections. A 2 km strike length in Mulliadi was infill drilled at 50 m by 50 m spacing with this area targeted as the Initial Mining Area for project development. A further 3 km strike length in Mulliadi and Omari was infilled to 50 m by 100 m where previous GSMB coverage was incomplete.

Limited infill drilling was also completed in the Tampaddai, Thirukkovil and Sangamankanda sections of EMP North in order to obtain samples for mineral assemblage analysis.

Resource extension drilling consisted of 81 holes totalling 151 m. This drilling was carried out using a 200 by 50 m grid in an area with potential for additional resources to the west of the Mulliadi and Omari Berm Zone.

In EMP South, infill resource drilling was completed over an 8 km strike length in Komari South. This area was infilled to 50 m by 100 m in the Beach and Berm Zones from the previous GSMB drill coverage of 50 m by 200 m.

All drill holes were sampled at one metre intervals. Drill logs recorded sand colour and grain size, a visual percentage estimate of the THM content and moisture content of the sand sample. A remarks column was used to record depth of the water table and type of basement rock, if intersected.

**Figure 3.9 Auger drilling and logging in EMP North**



## **SURVEY AND TOPOGRAPHY**

### **Drill hole survey**

The co-ordinates of GSMB drill hole collars were located by hand-held GPS units, however, collar elevations were not recorded. RGD1 drill hole collars were laid out by hand-held GPS units and on completion of drilling, drill collars were surveyed by ELS's contract surveyor using total station survey equipment.

A differential GPS control survey established by Panoptic Survey Engineers (Pvt) Limited (Panoptic) in Colombo was used to link the local drill collar survey in both EMP North and EMP South to the Sri Lanka National Grid. Panoptic established a number of control points in EMP North (7) and EMP South (5) using existing drill hole collar positions. Two government survey base stations were also used, Pottuvil (A032) and Hulannuge (A033).

Panoptic considered the horizontal accuracy for the control survey was within +/- 0.05 m and the vertical accuracy within +/- 0.5 m.

### **Topography**

A topographic digital terrain model (DTM) for use in the resource block model was developed by AAM Thailand Co Limited (AAMT) of Bangkok from existing Worldview-2 satellite imagery in January 2016. The DTM is based on one metre spaced point data with an overall accuracy of +/-0.5 m and provides for a topographic surface incorporating 1 m contours.

The Worldview-2 satellite imagery covered the whole Project area. Panoptic carried out a DGPS ground survey of 12 control points and 11 redundancy check points selected by AAMT covering the satellite image. Panoptic provided AAMT with WGS84 survey coordinates and Sri Lanka National Grid coordinates using the Kandawala coordinate origin. AAMT developed the DTM using WGS84 coordinates and on completion converted the data to local Kandawala National Grid coordinates.

## **BULK DENSITY**

The bulk density estimates used in the resource estimation are based on a linear regression equation which describes the relationship between the dry bulk density and THM % of a sample. The regression equation is based on the relationship between 42 samples collected from the Eastern Mineral Project deposit in October 2015 and is as follows:

$$\text{Dry bulk density (g/cm}^3\text{)} = 0.0102 \times \text{THM (\%)} + 1.5095$$

### **Bulk density sample collection**

Undisturbed sand samples were obtained from shallow pits in the Mulliadi and Omari sections of EMP North and the Komari South section of EMP South in order to estimate dry bulk density values for the mineral sand deposit (Figure 3.10).

A total of 42 samples were taken from 14 locations from depths ranging from 0.25 m to 1.0 m below surface from both the Beach and Berm Zones. Three samples were taken from each pit in varying THM grade material (high, medium and low grade). Undisturbed samples were obtained by using PVC tubes of known volume pushed into the sides of excavated pits which were subsequently excavated and retrieved from the sand.

Samples were weighed on site to obtain a wet sample weight. The weight of the wet samples ranged from 4.0 to 6.0 kg. Samples were oven dried at 105°C for 12 hours and dry samples weighed to determine the dry bulk density. Moisture content was determined to be in the range 1.2 to 6.7% and

dry bulk density ranged from 1.49 g/cm<sup>3</sup> to 2.39 g/cm<sup>3</sup>. Samples were sent to WGL in Perth, Australia to determine the THM % using float-sink analysis. THM ranged from 0.5 to 79%.

**Figure 3.10 Bulk density sample collection**



#### **3.4.6. GEOMETALLURGY**

VHM assemblage analysis was conducted by the QEMSCAN analysis method in conjunction with X-ray Fluorescence (XRF) analysis to obtain mineral assemblage data for the Project. QEMSCAN (Quantitative Evaluation of Minerals by Scanning Electron Microscopy) employs a scanning electron microscope, four X-ray detectors and a software package to enable the rapid discrimination of minerals, without reliance on visual judgments. It can make 12,000 mineral analyses per minute and is used to assess the value of exploration discoveries and to streamline metallurgical processes.

Bureau Veritas carried out QEMSCAN analysis and reported the titanium oxide bearing minerals in their standard ranges of TiO<sub>2</sub> content designed for early-stage analysis of mineral sands. The QEMSCAN mineral identification list used for the Project is shown Table 3.5.

Prior to completing detailed metallurgical analysis of a 3.88 t bulk sample, Capital Metals prepared a separate geo-metallurgical report that reviewed additional Bureau Veritas mineral abundance and particle classification data and reviewed the preliminary metallurgical test-work carried out by Consultants Robbins Metallurgical and potential final products based on this data. Capital Metals then completed detailed bulk sample metallurgical work at Mineral Technologies (a Downer Group company) on the sample from the Mulliadi area for the design of process flow sheets from the results of the metallurgical evaluation.

**Table 3.5 Mineral list for QEMSCAN mineral assemblage analysis (Bureau Veritas)**

Mineral	Analysis
Rutile/anatase	Includes rutile/anatase ( $\geq 95\%$ TiO <sub>2</sub> )
Leucoxene	Includes Ti oxide phases with $\geq 60$ <95% TiO <sub>2</sub>
Altered ilmenite	Includes Ti oxide phases with $\geq 55$ <60% TiO <sub>2</sub>
Ilmenite	Includes Ti oxide phases with $\geq 40$ <55% TiO <sub>2</sub>
Titano Fe oxide	Includes Ti oxide phases with <40% TiO <sub>2</sub>
Ti-Si intergrowths	Includes silica bearing Ti oxide minerals and intergrowths
Titanite	Includes titanite
Quartz	Includes quartz
Zircon	Includes zircon
REE	Includes Rare Earth element (REE) minerals (monazite and xenotime)
Garnet	Includes garnet group minerals which may also be a boundary with Fe oxide and other silicates
Andalusite	Includes minerals from the andalusite/kyanite/sillimanite group
Spinel	Includes spinel group minerals which may also be a boundary with Fe oxide
Fe oxides	Includes Fe oxides which may also be a boundary with garnet
Other Silicates	Includes all other silicates not listed above and intergrowths, occurring in trace amounts
Others	Includes all other minerals not listed above and occurring in trace form

### 3.5. EXPLORATION POTENTIAL

Further exploration potential exists at the Eastern Mineral Project associated with extensions at depth and inland and the potential for older deposits inland.

Optiro notes that the current Mineral Resources are based on shallow auger drilling with nearly all holes ending in mineralised sand due to the inability to drill below the water table or hole collapse after a couple of metres of drilling. Few holes intersect any form of basement whether lithified beach-rock or hard rock basement. In many cases holes drilled in the relatively high elevation dunes were only drilled to 3 or 4 m depth. A recently completed sonic drilling programme has demonstrated that mechanised drilling to greater depths would likely add Mineral Resources at a similar grade to that intersected above. Nearly all the samples collected from the limited programme in the Komari area were visually estimated to contain strong heavy mineral content. The deepest hole of 14 m returned low slimes, well sorted dune sands throughout with strong mineralisation including several samples estimated to be in excess of 20% THM. All estimates were made by visual inspection of panned samples and laboratory results are still outstanding.

The inland extension of the Holocene coastal package also presents potential for further Mineral Resources to be defined within the recent coastal beach /dune complex where the last inland auger holes in some lines returned significant mineralisation. This occurred as drilling accessed the lines from the beach and largely targeted the sparsely vegetated areas. One example is the Komari/Urani area where the auger lines terminate approximately 150 m inland of high water whereas the coastal sand package is seen on aerial imagery and by field mapping to extend up to 300 m inland.

The majority of auger drilling only extends a couple of hundred metres inland whereas the exploration licences currently extend up to 2 to 3 km inland and cover terrain that may consist of marine sediments. The lack of significant tectonic activity in the Sri Lankan crystalline interior indicates that there has been little change in the drainage pattern during the Cenozoic Era. The sediment supply in the past was likely similar today bearing heavy minerals. Geophysical surveys and drilling has the potential to identify additional mineralisation in older deposits inland. This includes the possibility of

shallow buried palaeo-strandlines with similar heavy mineral grades as seen in the beach deposits within the current Mineral Resource.

### **3.6. ENVIRONMENTAL, SOCIAL AND FACILITIES**

Damsila Exports (Pvt) Ltd, the holder of exploration license EL168 (EMP North), has commenced the application process for an Industrial Mining License (IML) to allow the commencement of mining operations at the Project. DEL has been formally requested by the Government of Sri Lanka to submit an Environmental Impact Assessment (EIA) to support the conversion of EL168 into an IML.

As the Project is located primarily within the coastal zone, the Coast Conservation and Coastal Resources Management Department (CC&CRMD or CCD) is the project approving agency (PAA) and provides their recommendation to the GSMB.

#### **3.6.1. OVERVIEW**

Sri Lanka has a comprehensive environmental legislative framework that includes a prescribed process and procedure for mining permitting and associated approvals based on an Initial Environmental Examination (IEE) and an EIA. Capital Metals is issued a Terms of Reference (ToR) or Table of Contents for the assessments and all matters referred to in the IEE and/or EIA TOR must be addressed.

The ToR contains standard EIA Sections and Annexures addressing a description of the project; the mine and production plan; the existing environment and anticipated environmental impacts; monitoring programmes and mitigation plans; and conclusion and recommendations. The Annexures address any comments during community consultations and public awareness programmes; and all maps and plans.

The Project EIA will be assessed at central government, provincial and private level and will need to encompass all aspects of the Project. The main steps in the environmental and mining approvals process in Sri Lanka for a coastal mining project on government and private-owned land are as follows:

- an application for an IML is lodged with the GSMB together with the statutory fee on completion of a project Feasibility Study
- GSMB consults with the CCD and requests CCD to prepare the ToR for an EIA
- on completion of the EIA report by the proponent, CCD reviews the report and if satisfied, issues a recommendation to the GSMB to issue a permit
- GSMB reviews the project proposal (Feasibility Study and mine plan) and if satisfied directs the proponent to apply for a permit to mine from the District Secretariat; consent is also required for any private land impacted by the Project
- on issuance of the permit from the District Secretariat, GSMB issues an IML valid for a period appropriate for the size of resource, which is renewable based on a standard renewal application procedure as defined in the Sri Lanka Mining Act 33 (1992).

With respect to the Project, DEL has made a preliminary application for four mineralised coastal zones covering 203 hectares to be converted into an IML. However, to facilitate the IML approval process, Capital Metals may just apply for the graticule blocks covering the proposed initial mining areas of Mulliadi, Omari and Komari only. In July 2017, the CCD announced that the Project will require an approvals process based on an EIA which will be an essential part of the overall approval for grant of an IML.

#### **3.6.2. APPROVAL PROCESS**

DEL completed an IEE report for EL168 in May 2017. In July 2017, the CCD announced the Project will require an approvals process based on an EIA and issued new Terms of Reference for the EIA. DEL

submitted the EIA to the CCD in September 2019 for review. DEL is working towards having an IML issued towards the end of Q1 2021. Steps in the process are outlined below in Table 3.6.

**Table 3.6 EIA / IEE approval process steps**

Step	Item	Time allowed for the PAA (days)		
		IEE	EIA	Schedule
1	Screening (Determining whether an EIA/IEE is required for a project)	6 days	6 days	Complete
2	Scoping (Determining the scope of the EIA/IEE study and issuing of terms of reference)	14 days	30 days	Complete
3	Preparation of the EIA / IEE report	No limit, although must be submitted prior to the expiration of the ToR (if an expiration is given)	No limit, although must be submitted prior to the expiration of the ToR (if an expiration is given)	Complete
4	Review of the EIA/IEE report. The review involves both public and technical review			
	a) Public review (applicable only for EIAs) The project proponent needs to respond to the public comments received.	Does not apply, no public comment period	30 days	Q4 2020
	b) Technical review (by the Council, sometimes referred to as the Technical Evaluation Committee (TEC))	21 days	30 days	Q4 2020
5	EIA/IEE Decision Granting approval with terms and conditions or rejection with reasons.	60 days from receipt of comments	60 days from receipt of comments	Q1 2021
6	Post approval monitoring	Varies, project dependent and as prescribed	Varies, project dependent and as prescribed	Ongoing

### 3.7. INFRASTRUCTURE

The Oluvil Port is a commercial and fishery harbour located in Ampara District, Eastern Province, Sri Lanka (Figure 3.11). Construction started in 2008 under the *Nagenahira Navodaya* (Reawakening of the East) programme and the port was opened on 1 September 2013.

The *Nagenahira Navodaya* programme was launched to expedite the development activities in the region and priority was given for the Oluvil Port as economic infrastructure and a catalyst for the growth of the eastern region of Sri Lanka. The port was built by MT Højgaard a Danish construction and civil engineering company and funded (£41 million) by the Dutch government. The commercial (cargo) section comprises 330 m quay at 8 m depth (design depth of 11 m) and the fisheries section comprises 200 m quay at 3 m depths. The marine works comprises 1.5 km of breakwaters.

In addition to the commercial harbour the port also has other key infrastructure including:

- sealed roads to port from the coastal deposits
- grid power
- scheme water
- office, workshop, storage facility and residential quarters
- perimeter security wall and fencing.

The fishing harbour was in use by the local fishing industry but the commercial harbour has yet to be used and currently requires dredging of sand accumulations resulting from long-shore drift. The Competent Person understands that Capital Metals has been in discussions with the Sri Lankan Port Authority (SLPA) regarding future requirements and initial dredging, and a formal Bid Proposal from DEL has been accepted by the SLPA. The port offers more than adequate land and shipping capacity

(8,000 to 10,000 t if harbour dredged to design depth of 11 m) for the Project's needs and it is hoped that the Company will co-exist with other industries also utilising the port.

**Figure 3.11 Commercial harbour at Oluvil Port (source: Capital Metals, February 2016)**



## 4. MINERAL RESOURCES

The Competent Person has undertaken a high-level review of the Mineral Resource models prepared by RGD1 (George Brech and Richard Hague of RGD1) for the EMP. The Mineral Resources were reported in *Capital Metals Feasibility Study – Mineral Resource Estimate*, dated June 2016 and are summarised in Table 4.1. The Mineral Resources by deposit area in given Table 4.2 and Mineral Resource reported by deposit zone is provided in Table 4.3. The THM is from within the +63  $\mu\text{m}$  to -1 mm size fraction and is reported as a percentage of the total material.

**Table 4.1 EMP Mineral Resource estimate above a 5% THM cut-off (Capital Metals, 2018)**

Classification	Gross			Net Attributable			Operator
	Tonnes (Mt)	THM grade (%)	Contained THM (kt)	Tonnes (Mt)	THM grade (%)	Contained THM (kt)	
Measured	5.82	19.9	1,159	5.82	19.9	1,159	Capital Metals
Indicated	8.60	16.6	1,432	8.60	16.6	1,432	
Inferred	2.79	16.0	446	2.79	16.0	446	
<b>Total</b>	<b>17.21</b>	<b>17.6</b>	<b>3,037</b>	<b>17.21</b>	<b>17.6</b>	<b>3,037</b>	

*Note: Inconsistencies in totals due to rounding.*

Preliminary assumptions for operating costs and recoveries were assessed during the Scoping Study and in turn benchmarked against similar mineral sands projects. Considering these factors against anticipated revenue per tonne led to the adoption of a 5% THM cut-off grade as being an appropriate estimate for mineralisation with a reasonable prospect of economic extraction.

Oversize (+1 mm) and slimes (<63  $\mu\text{m}$ ) are not included in the resource model. RGD1 reports that the average oversize content for the Mineral Resource within the Mulliadi-Omari sections (central EMP North) is 5.66% and average slimes is 0.84%. The average oversize percentage for the EMP South Mineral Resource is 4.69% and average slimes is 0.64%.

The models were developed by RGD1 using Geovia GEMS software. A topographic DTM model was developed in February 2016 using satellite imagery from the Worldview2 satellite; ground control points and check points were surveyed by digital GPS equipment. This DTM was used to constrain the Mineral Resource model and to determine the drill hole collar elevations.

The base of the resource model is defined by the water table and the depth of the deposit is generally between 0.5 m and 3 m and reaches a maximum of 5 m in the Fore-dune Zone. This is the limit that manual augering can provide good recovery of sample.

**Table 4.2 Total Mineral Resources reported by Capital Metals above a cut-off grade of 5% THM (Brech and Hague, 2016)**

Section	Resource (t)	THM		VHM as a percentage of THM											
		%	kt	Ilmenite		Leucoxene		Rutile		Zircon		Garnet		Sillimanite	
				%	kt	%	kt	%	kt	%	kt	%	kt	%	kt
<b>EMP North</b>															
Tampaddai	756,000	26.2	198	33.3	66	17.5	35	5.5	11	5.5	11	18.9	37	7.4	15
Thirukkovil	593,000	26.9	159	40.3	64	16.7	27	5.5	9	6.0	10	14.6	23	6.1	10
Mulliadi	3,378,000	18.4	622	39.0	242	15.7	97	4.5	28	6.0	38	15.7	98	7.5	47
Omari	1,749,000	19.4	340	37.2	126	13.7	47	3.9	13	5.8	20	19.8	67	9.4	32
Sangamankanda	432,000	15.9	69	31.9	22	11.1	8	3.8	3	4.6	3	26.7	18	10.5	7
<b>Subtotal</b>	<b>6,908,000</b>	<b>20.1</b>	<b>1,388</b>	<b>37.5</b>	<b>521</b>	<b>15.3</b>	<b>213</b>	<b>4.6</b>	<b>63</b>	<b>5.8</b>	<b>81</b>	<b>17.6</b>	<b>244</b>	<b>7.9</b>	<b>110</b>
<b>EMP South</b>															
Komari	458,000	14.5	66	40.2	27	10.6	7	2.6	2	4.6	3	24.7	16	5.2	3
Komari North	4,447,000	17.7	786	38.0	299	11.7	92	3.5	28	5.1	40	23.6	185	6.7	53
Komari South	1,275,000	12.7	162	34.9	56	7.9	13	2.4	4	4.0	7	30.9	50	7.3	12
Pottuvil	1,748,000	14.4	251	25.1	63	5.9	15	2.4	6	3.6	9	32.5	82	10.9	27
Arugam Bay	1,463,000	15.8	232	25.3	59	4.5	10	2.2	5	3.5	8	40.4	94	7.3	17
Sastrawela	912,000	16.8	153	20.3	31	4.2	7	2.5	4	3.5	5	42.3	65	6.2	9
<b>Subtotal</b>	<b>10,304,000</b>	<b>16.0</b>	<b>1,649</b>	<b>32.4</b>	<b>534</b>	<b>8.7</b>	<b>144</b>	<b>2.9</b>	<b>48</b>	<b>4.4</b>	<b>72</b>	<b>29.8</b>	<b>492</b>	<b>7.4</b>	<b>121</b>
<b>Total</b>	<b>17,212,000</b>	<b>17.6</b>	<b>3,037</b>	<b>34.7</b>	<b>1,055</b>	<b>11.7</b>	<b>357</b>	<b>3.7</b>	<b>111</b>	<b>5.0</b>	<b>153</b>	<b>24.2</b>	<b>735</b>	<b>7.6</b>	<b>232</b>

Note: Mineral assemblage based on the following TiO<sub>2</sub> ranges - ilmenite 40-60%, leucoxene 60-95%, rutile >95%. Mineral sand tonnes reported to nearest thousand; rounding errors may occur.

**Table 4.3 Total Mineral Resources reported by deposit zone (Brech and Hague, 2016)**

Section	Resource (t)	THM		VHM as a percentage of THM											
		%	kt	Ilmenite		Leucoxene		Rutile		Zircon		Garnet		Sillimanite	
				%	kt	%	kt	%	kt	%	kt	%	kt	%	kt
<b>Tidal</b>															
EMP North	118,000	18.0	21	36.4	10	9.5	2	5.2	1	4.8	1	24.0	5	8.4	2
EMP South	136,000	15.3	21	29.2	10	7.5	2	2.8	1	4.0	1	37.4	8	7.1	1
<b>Subtotal</b>	<b>255,000</b>	<b>16.5</b>	<b>42</b>	<b>32.6</b>	<b>10</b>	<b>8.4</b>	<b>4</b>	<b>3.9</b>	<b>2</b>	<b>4.4</b>	<b>2</b>	<b>31.2</b>	<b>13</b>	<b>7.7</b>	<b>3</b>
<b>Beach</b>															
EMP North	845,000	18.3	154	39.8	60	13.5	21	4.1	6	5.7	9	20.6	32	6.2	10
EMP South	1,193,000	13.1	156	32.9	50	6.4	10	2.5	4	4.3	7	32.1	50	5.2	8
<b>Subtotal</b>	<b>2,038,000</b>	<b>15.2</b>	<b>311</b>	<b>35.8</b>	<b>110</b>	<b>9.3</b>	<b>31</b>	<b>3.1</b>	<b>10</b>	<b>4.9</b>	<b>15</b>	<b>27.3</b>	<b>82</b>	<b>5.6</b>	<b>18</b>
<b>Berm</b>															
EMP North	5,945,000	20.4	1,212	37.2	450	15.7	190	4.6	56	5.9	71	17.1	207	8.2	99
EMP South	6,502,000	15.9	1,034	31.0	320	8.5	88	2.6	27	4.1	42	31.3	324	7.2	75
<b>Subtotal</b>	<b>12,447,000</b>	<b>18.0</b>	<b>2,246</b>	<b>34.0</b>	<b>770</b>	<b>11.9</b>	<b>278</b>	<b>3.6</b>	<b>83</b>	<b>4.9</b>	<b>113</b>	<b>24.5</b>	<b>530</b>	<b>7.7</b>	<b>174</b>
<b>Fore-dune</b>															
EMP North	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EMP South	2,473,000	17.7	438	35.6	160	10.1	44	3.8	17	5.0	22	25.1	110	8.5	37
<b>Subtotal</b>	<b>2,473,000</b>	<b>17.7</b>	<b>438</b>	<b>35.6</b>	<b>160</b>	<b>10.1</b>	<b>44</b>	<b>3.8</b>	<b>17</b>	<b>5.0</b>	<b>22</b>	<b>25.1</b>	<b>110</b>	<b>8.5</b>	<b>37</b>
<b>Total</b>	<b>17,212,000</b>	<b>17.6</b>	<b>3,037</b>	<b>34.7</b>	<b>1,055</b>	<b>11.7</b>	<b>357</b>	<b>3.7</b>	<b>111</b>	<b>5.0</b>	<b>153</b>	<b>24.2</b>	<b>735</b>	<b>7.6</b>	<b>232</b>

Note: Mineral assemblage based on the following TiO<sub>2</sub> ranges - ilmenite 40 to 60%, leucoxene 60 to 95%, rutile >95%. Mineral sand tonnes reported to nearest thousand; rounding errors may occur.

Wireframe models of the mineralisation were developed for each of the deposit zones, being the Tidal, Beach, Berm and Fore-dune Zones. These domains were used to constrain the data for statistical and geostatistical analysis and for grade estimation.

The data was not composited and original sample lengths were maintained. For the Tidal Zone, the samples were all taken over sample intervals of 0.3 m. Within the Beach, Berm and Fore-dune Zones

the majority of the samples (87% to 97%) were taken over intervals of 0.5 m to 1 m. Samples of 2 m were composited to 1 m intervals and the samples of <2 m were maintained.

The THM data has a low coefficient of variation (<1.0) and top-cut grades were not applied. The data and coded blocks were unfolded with respect to the contour of the coastline. Maximum THM grade continuity ranges of 2,100 m (along the coastline) by 600 m (perpendicular to the coastline) and 3 m (vertical) were interpreted from variogram analysis. Search ellipsoid ranges were set to 150 m by 45 m by 1.5 m for the first pass, 300 m by 90 m by 3 m for the second search pass and to 600 m by 180 m by 4.5 m for the third search pass.

As discussed in Section 3.4.5, bulk density measurements were obtained from 42 samples and a regression formula was determined for density based on the THM grade. For tonnage estimation, the bulk density block values were estimated using the kriged THM block grades and the bulk density formula.

An ordinary kriged technique was applied for grade estimation into parent block sizes of 50 mN by 10 mE by 1 mRL. A percentage model was developed whereby the proportion of each block within the mineralised zones, above the base of model surface and below the topographical surface.

The resource classification considers a range of criteria including:

- geological continuity of the resource domains
- data quality
- drill density and spatial configuration
- number of informing composites.

Measured Resources are located in areas with RGD1 drilling and where drill hole spacing is between 50 m by 50 m and 100 m by 50 m. Indicated Resources are in areas of more widely spaced RGD1 drilling and in areas of GSMB drilling with drill hole spacing typically ranging from 100 m by 50 m to 200 m by 50 m. Inferred Resources are in areas of widely spaced drilling typically around 200 m by 50 m and the tidal zone resource is classified as Inferred.

#### **4.1. OPTIRO REVIEW**

Optiro previously reviewed documentation provided for the EMP resource model in June 2016. As part of this review, visual validation of the block model was carried out by examining cross-section and plan views of the drill hole data and the estimated block grades. These indicate good correlation of the estimated block grades with the input drill hole data. It is noted that the block model grades are very smoothed and that, due to the nature of the sampling (with the majority of the holes informed by one sample), vertical variability is not included in the model.

The easting and northing trend plots (included in Brech and Hague, 2016) show good correlation of the major grade trends in both EMP North and EMP South between the input data and block grades. The block grades follow the trends present in the input data in the easting and northing validations although, as would be expected, the model grades are smoother than the input data.

The mineral assemblage data has been assigned to the resource areas. The mineral assemblage composite data used in the resource tabulation was verified and matched the data QEMSCAN data in Brech and Hague (2016).

Data for the tidal samples from EMP South could not be verified from the provided data. It is noted that only one composite sample was used to determine the mineral assemblage for the entire tidal resource for EMP North and only two samples were used for EMP South.

## 4.2. CLASSIFICATION

As stated by RGD1 the Measured Resources are generally located in areas with RGD1 drilling and where drill hole spacing is between 50 m by 50 m and 50 m by 100 m. Indicated Resources are in areas of more widely spaced RGD1 drilling and in areas of GSMB drilling with drill-hole spacing typically ranging from 50 m by 100 m to 50 m by 200 m. Inferred Resources are in areas of widely spaced drilling typically around 200 m by 50 m and in the Tidal Zone.

In practise, a three-part search pass was used as the basis of the resource classification and RGD1 has applied the classification on a block by block basis rather than defining zones of higher and lower confidence. This approach has outlined coherent areas of classification where there is sufficient across-strike drilling. Within area of sparser across strike drilling the resultant classification is patchy and somewhat inconsistent with the drilling. On a global basis, the classification applied by RGD1 is considered reasonable.

The Tidal Zone Mineral Resource (Table 4.3) is classified as Inferred in recognition of the continuous movement and replenishment of the THM content in the tidal zone along the coast. As noted above, the mineral assemblage for this area is based on sparse data. The Tidal Zone is however immaterial, is classified as Inferred and contributes only 1.5% of the total Mineral Resource tonnage.

## 4.3. CONCLUSIONS

The Competent Person confirmed the tonnage and THM grades reported for EMP North and EMP South from the block models (Table 4.4). The mineral assemblage data has been assigned to the resource areas and the total reported assemblage figures have been correctly weighted by the contained THM.

In Optiro's opinion the Mineral Resource models developed by RGD1 for EMP North and South provide a realistic estimation and classification of the global Mineral Resources. For future resource estimates, Optiro recommends that refinements should be made to the classification of the model to define more coherent zones of Measured and Indicated Resources and that additional mineral assemblage data is acquired.

**Table 4.4 Mineral Resources reported above a cut-off grade of 5% THM (source: Capital Metals, 2018)**

Deposit	Classification	Tonnes (Mt)	THM grade (%)	Contained THM (kt)
EMP North	Measured	3.16	21.9%	691
	Indicated	3.04	18.3%	555
	Inferred	0.71	19.9%	141
	<b>Total</b>	<b>6.91</b>	<b>20.1%</b>	<b>1,388</b>
EMP South	Measured	2.66	17.6%	468
	Indicated	5.57	15.8%	877
	Inferred	2.08	14.6%	304
	<b>Total</b>	<b>10.30</b>	<b>16.0%</b>	<b>1,649</b>
<b>Total</b>	<b>Measured</b>	5.82	19.9%	1,159
	<b>Indicated</b>	8.60	16.6%	1,432
	<b>Inferred</b>	2.79	16.0%	446
	<b>Total</b>	<b>17.21</b>	<b>17.6%</b>	<b>3,037</b>

*Note: Inconsistencies in totals due to rounding.*

*The information in this report that relates to the EMP Mineral Resource estimation is based on information compiled by Mr George Brech and fairly represents this information. Mr Brech is a Fellow of the Australasian Institute of Mining and Metallurgy and Technical Director of RGD1 Resources Limited, a consultant to DEL and EML until April 2016. Mr Brech has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which*

*he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Brech consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.*

#### 4.4. ORE RESERVES

There has been no estimate of Ore Reserves at the EMP, and thus no valuation can be ascribed. Capital Metals has carried out various studies, that indicated that the deposit is amenable to efficient, low-cost dry mining and wet concentration methods. Capital Metals intends to complete a Feasibility Study on the Project which will allow Ore Reserves to be declared under the JORC Code (2012).

## 5. MINING, PROCESSING AND INFRASTRUCTURE STUDY

### 5.1. SUMMARY

In February 2015, a Scoping Study was completed for the mining, processing and infrastructure assuming a deposit size of 10 Mt, a target mining inventory of 8 Mt and a THM grade of 28%. The study was based on a 2011 drill hole database, (prior to any drilling completed in 2015). Optiro notes that the higher THM grade (28%) used in the Scoping Study was not substantiated by the later drilling. The Scoping Study considered an annual mine production of 500,000 tpa for a mine life of 16 years. The Scoping Study indicated that the deposit is amenable to efficient, low-cost dry mining and wet concentration methods utilising a mobile primary wet concentrator plant and further work was warranted.

Following the completion of the Mineral Resource estimate in 2016 and the Mineral Technologies bulk sample metallurgical test work August 2017, Capital Metals updated the process flowsheet and the capital and operating cost estimates to reflect the new flowsheet. The updated model uses capital and operating cost metrics to reflect 550,000 tpa operating modules and up to 1.65 Mtpa operating parameters as per the primary concentrator plant (PCP) and Mineral Separation plant (MSP) operating capacities (see Section 5.4). Capital Metals considered the optimal mining and processing rate to be 1.65 Mtpa, or three 550,000 tpa operating modules.

The mining inventory was determined by assessing areas likely to be unsuitable for mining due to environmental and/or cultural concerns and removing them from the Mineral Resource estimate. Based on this, the approximate dimensions of the Mineral Resource that may be suitable for mining, are a cumulative length of approximately 40 km and a variable width of 50 m to 300 m. The deposit is shallow with depths ranging from 0.5 m to 3 m (currently being restricted by the water table and hence shallow auger drilling) with no overburden material and only minor vegetation removal is necessary prior to mining.

Capital Metals expects that the depth of the deposit will increase as a result of the planned sonic drilling programme and that the mining inventory and mine plan will be adjusted accordingly. The mining and processing plan will be modified in line with any new drill results.

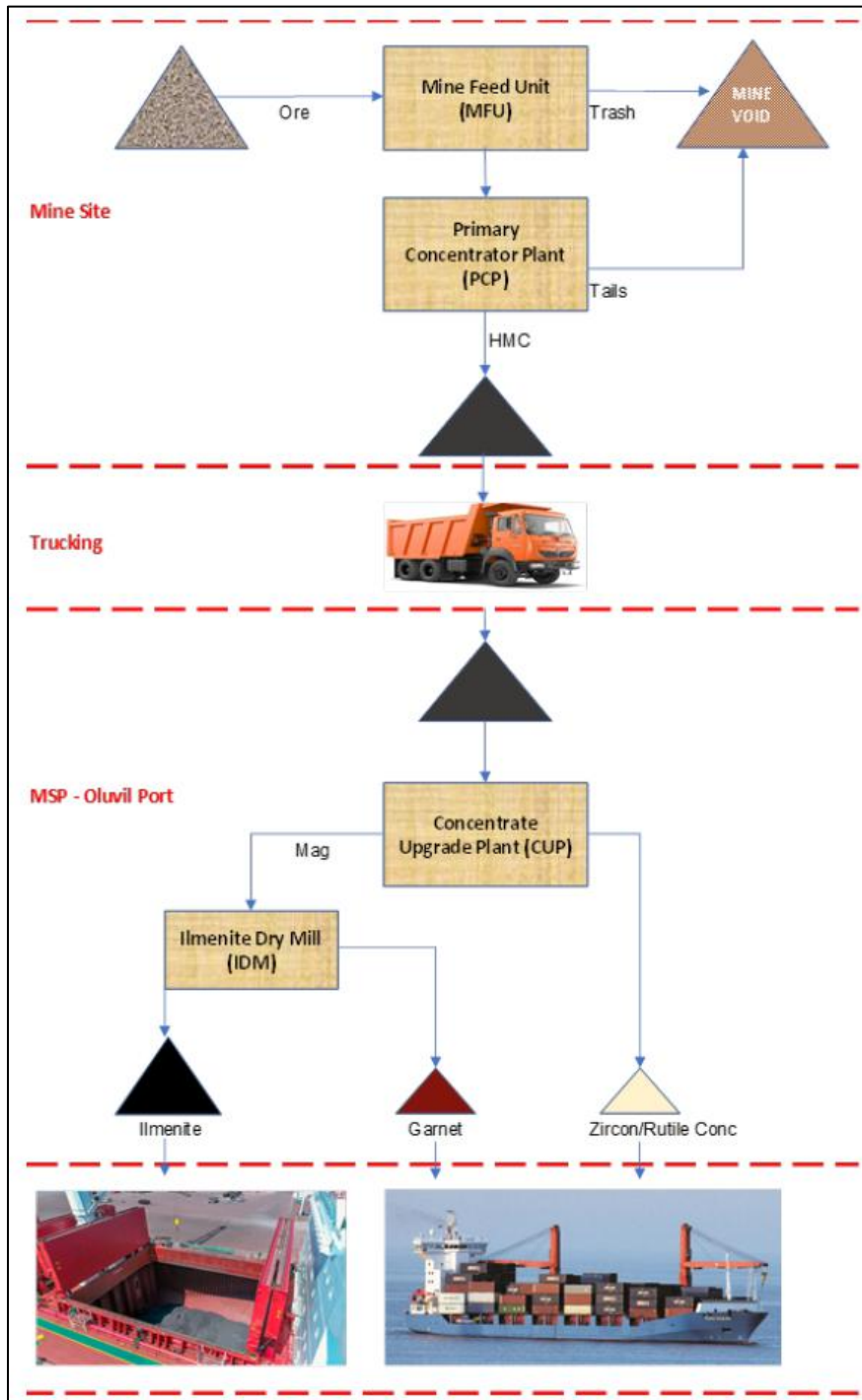
Given the nature of the proposed mining operation, which may occur over a coastal distance of approximately 40 km, it is not planned to establish any permanent facilities at the deposit in one location. All mining-related infrastructure will be designed to enable it to be re-located as required and all mining equipment will be mobile. The study planned for mining during daylight hours only and mining rates may be increased through the addition of another front-end loader (FEL) or a night shift. Processing of the mineral sand deposit is based on a combination of a PCP located adjacent to the coastal deposit and a fixed MSP located at the Oluvil Port (Figure 5.1).

The objective for the mining and processing study was to develop a compact mobile mining and PCP operation in order to:

- cope with the shallow, variable width and grade of the deposit
- minimise the active area of disturbance at any one point in time
- allow for continuous back-filling of the pit
- facilitate progressive cell by cell rehabilitation.

The PCP, comprising a two-stage spiral circuit would be located adjacent to the mining area and would follow the progress of the mining cells along the coast.

**Figure 5.1 Summary project flowsheet – from mine to shipping**



## 5.2. MINING STUDY

The currently defined Mineral Resource is located above the water table and above low tide level. The mining process planned at the Eastern Mineral Project is designed to be low impact and allow optimal flexibility, efficiency, productivity, profitability and reduced mining time to quickly commence rehabilitation. Mining will use a combination of a FEL or excavator to achieve the optimal material movement.

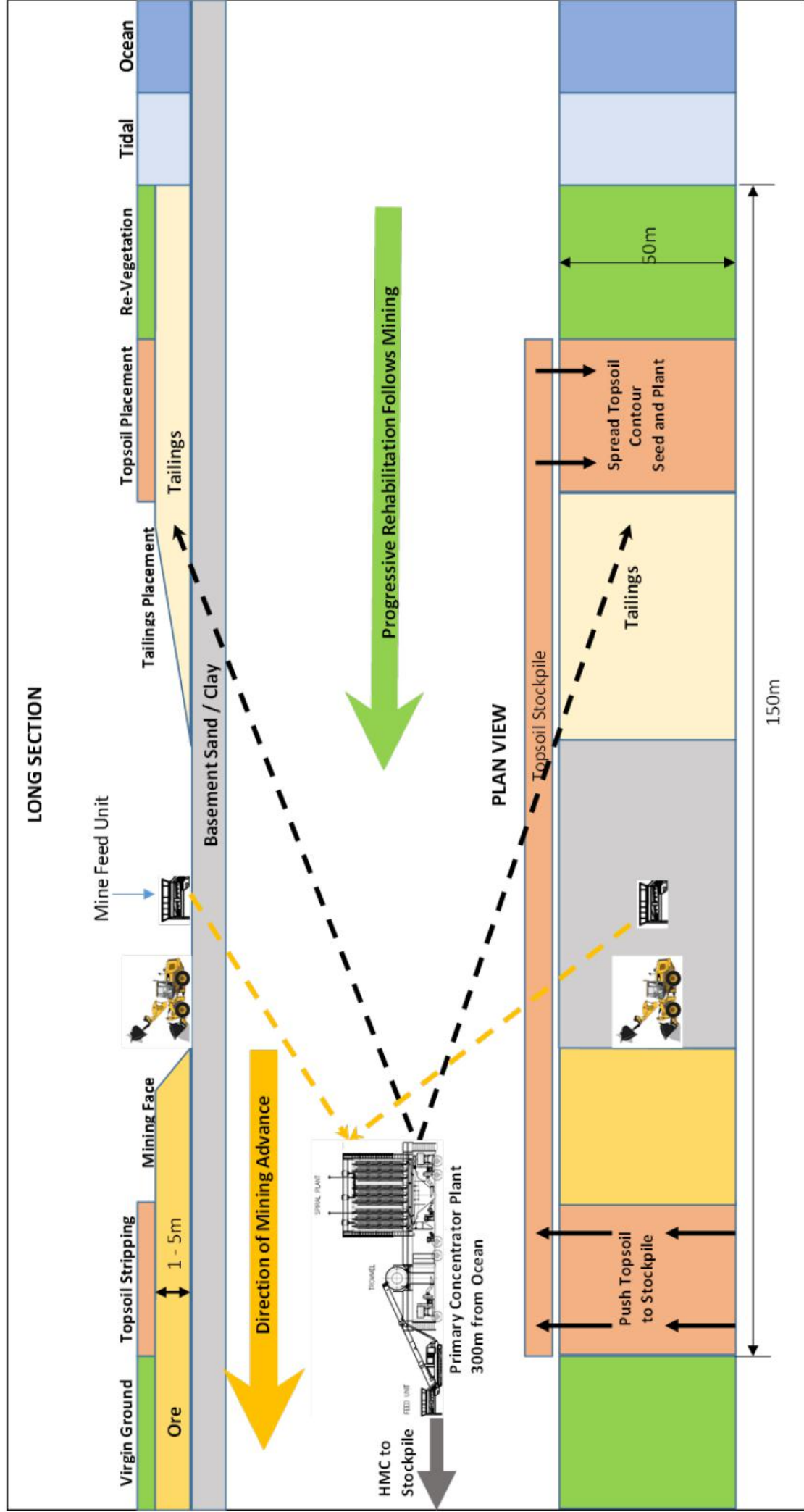
A FEL is used to mine the ore and dump it into the Mine Feed Unit (MFU). The FEL will excavate a small face typically 1 m to 5 m in height and it will blend ore from across the mining face to minimise the variability of the feed grade to the wet concentrator.

Mining would occur from the surface to the water table depth, generally between 1 m and 5 m below surface. Mining will be carried out across blocks of 50 m by 150 m (50 m wide and about 150 m in length perpendicular to the sea, as shown in Figure 5.2). Each active mining block will have an approximate footprint of 0.75 Ha, the mining cells can be changed to adapt to surface conditions such as exclusion, buffer areas and landforms, or where the deposit narrows. The FEL would be supported by an excavator where surface conditions at or near the water table impacts on the FEL operability. Ore will be fed to the MFU which is a readily relocatable unit made up of a skid-able feed bin and conveyor, a skid-able screening and pumping unit and a skid-able generator complete with a day tank. This arrangement will limit tramming distance for the FEL and hence minimise the mining footprint. Mining will be at a nominal rate of 165 tph and be initially conducted across a time span of two 6-hour operating shifts for 12 hours per day; 6.00 am to 6.00 pm. There is an opportunity to expand to 24-hours per day in the future. The study anticipated that the FEL will excavate an average area of 200 m<sup>2</sup> each day with a maximum loader travel distance of around 40 m.

The shape of the daily mining cells may be varied to suit the nature of the deposit and blending requirements while maintaining a short efficient load cycle from the FEL to the PCP. The MFU will be relocated as the mining face advances to maintain a short FEL travel distance and a small active area of disturbance for the mining and wet concentrating activities.

There may be some encroachment of water into the mining area during severe storm events. The proposed mining and wet concentrating arrangement is planned to be sufficiently flexible to maintain continuity of operations during these events.

Figure 5.2 Mining – long and plan view schematic



### 5.3. MINERAL PROCESSING AND METALLURGICAL TESTWORK

#### 5.3.1. OVERVIEW

A preliminary Scoping Study was completed on the Project in 2015 by RGD1 based solely on metallurgical information from another Sri Lankan project owned by the original owners. To validate the Scoping Study assumptions and facilitate preparation of a Pre-feasibility Study in 2017, a 3.88 dry tonne bulk sample of composited auger drill product was generated from an area representing the first 2 to 3 years of planned mining operations in the Mulliadi and Omari areas. The bulk sample was submitted to Mineral Technologies in Australia during January 2017 for:

- sample characterisation
- wet gravity concentrator flowsheet development
- concentrate upgrading flowsheet development
- magnetic and non-magnetic mineral separation flowsheet development.

The following were generated from the bulk sample test work:

- ilmenite products
- garnet product
- preliminary non-magnetic concentrate (potential product for sale to toll treatment operators)
- rutile and zircon products
- an assessment of options for sillimanite production.

#### 5.3.2. METALLURGICAL TESTING RESULTS

The test work completed by Mineral Technologies concluded the following:

- The combined bulk sample had:
  - a THM content of 24.0% with 16.5% being +4.05 SG minerals (VHM)
  - a size fraction comprising less than 0.5% +2 mm and <0.5% slimes (-45 µm).
- A simple two stage spiral circuit was able to produce a heavy mineral concentrate (HMC) with >98% recovery of VHM into a >88% heavy mineral (HM) content concentrate.
- Processing of the HMC via a single stage of wet high magnetic separation and two stages of spirals on the non-magnetic product produced:
  - an ilmenite and garnet rich magnetic concentrate
  - a zircon and rutile enriched non-magnetic concentrate (NMC).
- The magnetic concentrate was further upgraded using a relatively simple combination of dry electrostatic, dry screening and dry magnetic separation stages to prepare:
  - a primary ilmenite product containing 51% TiO<sub>2</sub>, 16.4% Fe<sub>2</sub>O<sub>3</sub> and 30.1% FeO with very low levels of Cr<sub>2</sub>O<sub>3</sub> (0.04%) and uranium + thorium (51 ppm)
  - a secondary ilmenite concentrate containing 55.3% TiO<sub>2</sub>, 26.9% Fe<sub>2</sub>O<sub>3</sub> and 11.5% FeO at relatively low levels of Cr<sub>2</sub>O<sub>3</sub> (0.14%) and uranium + thorium (88 ppm)
  - a garnet product.
- The non-magnetic concentrate reported to a non-magnetic dry mill which consisted of a conventional combination of dry electrostatic, dry screening and dry magnetic separations stages producing:
  - an initial rutile concentrate containing 96.8% TiO<sub>2</sub> with low levels of Fe<sub>2</sub>O<sub>3</sub> (0.9%), SiO<sub>2</sub> (0.3%) and ZrO<sub>2</sub> (0.4%)
  - a secondary ilmenite concentrate containing 52.8% TiO<sub>2</sub>, 42.8% Fe<sub>2</sub>O<sub>3</sub> with relatively low levels of Cr<sub>2</sub>O<sub>3</sub> (0.20%) and uranium + thorium (76 ppm) which is suitable for blending with the secondary ilmenite concentrate (see ilmenite dry mill section below)

- a non-conductor concentrate (zircon dry mill feed) containing 38.0% ZrO<sub>2</sub> with 1.85% TiO<sub>2</sub> and 18.5% Al<sub>2</sub>O<sub>3</sub>.
- The non-conductor concentrate was subjected to additional wet gravity upgrading and dry separation to produce a raw zircon product with specifications of 66.2% ZrO<sub>2</sub> with 0.15% TiO<sub>2</sub>, 0.23% Fe<sub>2</sub>O<sub>3</sub>, 0.39% Al<sub>2</sub>O<sub>3</sub> and 560 ppm uranium + thorium. A sample of the raw zircon product was subjected to acid leaching to reduce the Fe<sub>2</sub>O<sub>3</sub> levels. This achieved an improved specification of 0.03% Fe<sub>2</sub>O<sub>3</sub>.
- Limited testing of options for sillimanite production was inconclusive and due to low recoveries was not followed up.
- Overall mineral recoveries from the bulk sample to the following products were:
  - 93.3% ilmenite to the primary ilmenite product
  - zircon and rutile to non-magnetic concentrate of >98%
  - zircon and rutile recoveries to final products of 95.4% and 90.0% respectively.

## 5.4. MINERAL PROCESSING FLOWSHEET

### 5.4.1. OVERVIEW

The operational processing concept is based on a combination of a primary mine feed unit (MFU) and primary concentration plant (PCP) located on the coastal deposit and a mineral separation plant (MSP) located at Oluvil Port.

The MFU/PCP units process the mineral sand using screening and wet gravity spirals to produce a 90% heavy mineral concentrate (HMC). The study considered that the operation would commence as a single operation with future additional units installed as operational demands increase.

The HMC would be transported by road to the central MSP where the HMC would be beneficiated using a combination of screening, gravity, magnetic and electrostatic separation to produce final saleable products of ilmenite, garnet and an enriched rutile-zircon concentrate.

### 5.4.2. MINE FEED UNIT / PRIMARY CONCENTRATOR PLANT

Each of the MFU and PCP units are designed to be capable of producing HMC containing 90% heavy minerals while achieving a recovery of VHM in the order of 98% and a total HM recovery of 83%.

Using the Pre-feasibility Study parameters of a nominal feed rate per MFU/PCP of 165 tph, working 12-hours per day at 90% availability for 6 days per week and 52 weeks per annum, annualised mining is 556,000 tonnes. For feed at an estimated 17% THM grade, 83% HM recovery into a HMC at 90% HM, the nominal HMC production will be 105,000 tpa of HMC for transport by road to the MSP.

#### MINE FEED UNIT

The MFU is designed to be a highly mobile unit to allow regular moves to minimise both the tramming distance for the FEL and the footprint of the mining area. Feed is drawn from the bin by the feed conveyor at a constant rate of 165 tph (dry sand equivalent) to provide near steady state conditions to the PCP. The feed rate will be controlled through a belt weigher on the conveyor belt with a control loop to the conveyor variable speed drive.

The feed from the feed conveyor is pulped with water and discharges onto a rotating trommel screen with approximately 3 mm slots for the removal of vegetable matter and any coarse material present. The oversize material discharges from the trommel and is periodically removed for use in rehabilitation works. Nominal tonnage of oversize of less than 1% is expected. The undersize pulp bearing the sand reports to a sump and is pumped via a pipeline to the PCP for recovery of the heavy minerals.

The MFU design should facilitate a move of 50 m including breakdown of services and reconnection in approximately 2 hours with movement of the skids using a combination of a FEL and a bulldozer.

### **PRIMARY CONCENTRATOR PLANT**

The PCP is designed to separate large quantities of quartz sand from the heavy minerals using spirals. The spirals produce a high grade, HMC which can be stockpiled suitable for further processing through a mineral separation plant (MSP) and a tailings stream sent directly to the mine void.

The PCP is designed to be relocated once or twice per year to match the mining advance. The PCP will be located on a moderately consolidated site that meets the requirements for:

- ready road access for the transfer of concentrates to the MSP
- servicing a mining block with a maximum pipe length to the MFU of 600 m
- within an operable distance of a pump providing a supply of seawater.

The PCP design comprises three skid-able modules and other service facilities. The spiral module design comprises a two-stage spiral circuit being fed by the undersize pulp from the MFU.

The nominated spirals are MG12-type spirals from Mineral Technologies which provide enhanced performance characteristics optimising both concentrate grades and mineral recoveries whilst minimising the number of stages. The reduction in stages provides a significant saving in both the mass of the plant which is critical for plant mobility, lower operating costs and operational complexity.

The primary spirals receive feed directly from the MFU at the rate of approximately 165 tph and at a solids density in the range of 30% to 35% solids. These spirals will produce:

- a concentrate which will report to the HMC product sump
- a middling which report to the secondary spiral feed sump
- a tailing which will report to the final tails sump.

Slurry will be drawn from the secondary spiral feed sump and pumped to the secondary stage of spirals at a nominal rate of 30 tph and 30% to 40% solids. The pumped flow will be fitted with a flow meter and a variable speed drive on the pump to maintain the nominated line velocity. These spirals will produce:

- a concentrate which will report to the HMC product sump
- a middling which is recycled back to the secondary spiral feed sump
- a tailing which will report to the final tails sump.

The HMC, that is, concentrates from both spiral stages, would target a grade of 90% heavy mineral and achieving recoveries of zircon and titanium minerals of greater than 98%.

The combined spiral sand tails would be pumped to a cyclone to provide moderate dewatering of the final tails. This will reduce the volume of water pumped to the mine void and reduce power demand. The overflow reports to the process water tank and the densified underflow (approximately 40% to 45%) is pumped to a tails return unit.

The HMC from the spirals is presented at an elevated slurry density. This is then pumped to the HMC stacker which has a cyclone mounted on a slewing jib to allow the formation of discrete stockpiles. This in turn allows the product to drain before being picked up by a FEL for transfer by road to the MSP.

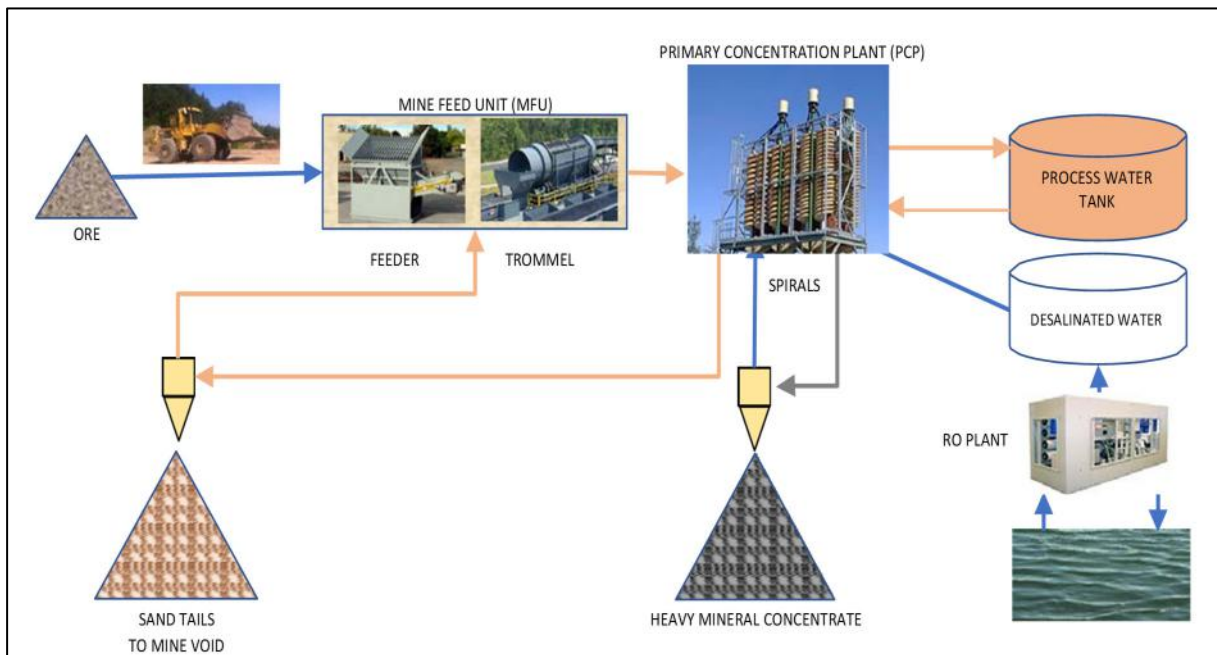
Water for operation of the MFU and PCP will be sourced from sea water. Process water losses occur from the drainage of both the stockpiled HMC and sand tails. To counter the contamination of the

groundwater system a reverse osmosis (RO) plant may be installed to desalinate sea water drawn from the ocean to a level comparable with local groundwater levels. The desalinated water will be introduced into the PCP at the HMC cyclone stage to minimise the salinity content in the HMC which has a negative impact to both downstream processing and product quality.

The HMC discharges the stacking cyclone at approximately 25% moisture and rapidly dewater to between 7% and 10%. Over a period of 2 to 3 days moisture level drops to 4% to 5% which allows the HMC to be readily trucked without liquefying during transport.

The PCP will produce clean sand tailings which will be pumped to the previously mined areas for backfilling to the original profile. A schematic process flow for the MFU and PCP is provided in Figure 5.3.

**Figure 5.3 Design MFU and PCP process flow**



### MINE AREA INFRASTRUCTURE

Power will be supplied at both operating units from skid mounted diesel generators located immediately alongside the relevant plant. Each skid will be inclusive of a fuel tank with a minimum two days fuel supply.

Sea water will be drawn by a shore mounted pump fitted to a screened floating suction anchored beyond the wave zone and pumped to the RO plant. The RO plant will be of a containerised modular arrangement mounted on a skid for relocating to match plant moves. Hyper saline water will be returned to the ocean down current of the collection point.

Three water tanks will be used comprising two process water tanks and one desalinated water tank.

### 5.4.3. MINERAL SEPARATION PLANT

#### OVERVIEW

The MSP, planned to be located at the Oluvil port, upgrades the HMC produced and trucked from the PCP. It is designed to have a nominal maximum throughput of 300,000 tpa of HMC. With nominal HMC production per installed MFU/PCP of 87,000 tpa, the MSP is designed to support the operation of up four MFU/PCP units.

The MSP consists of two sections, namely, a concentrate upgrade plant (CUP) and the ilmenite dry mill (IDM). During the initial planned phase of operations (that is a single MFU/ PCP) the MSP would operate on a 24 hour, 5 days per week basis with operations split between the two circuits. That is the CUP will run the first 2.5 days and the IDM the second 2.5 days.

The reasoning for this design and operational regime is allowance for future upscaling of operations and the need for the IDM section of the plant to operate around the clock to optimise dry mill functionality.

The current planned preliminary scale supports the processing of the HMC into final products of ilmenite, garnet and a zircon and rutile rich non-magnetic concentrate. The basis for this decision is the significant capital requirements, process and metallurgical complexity and higher operator skill requirements to further refine the HM products.

### **CONCENTRATE UPGRADE PLANT**

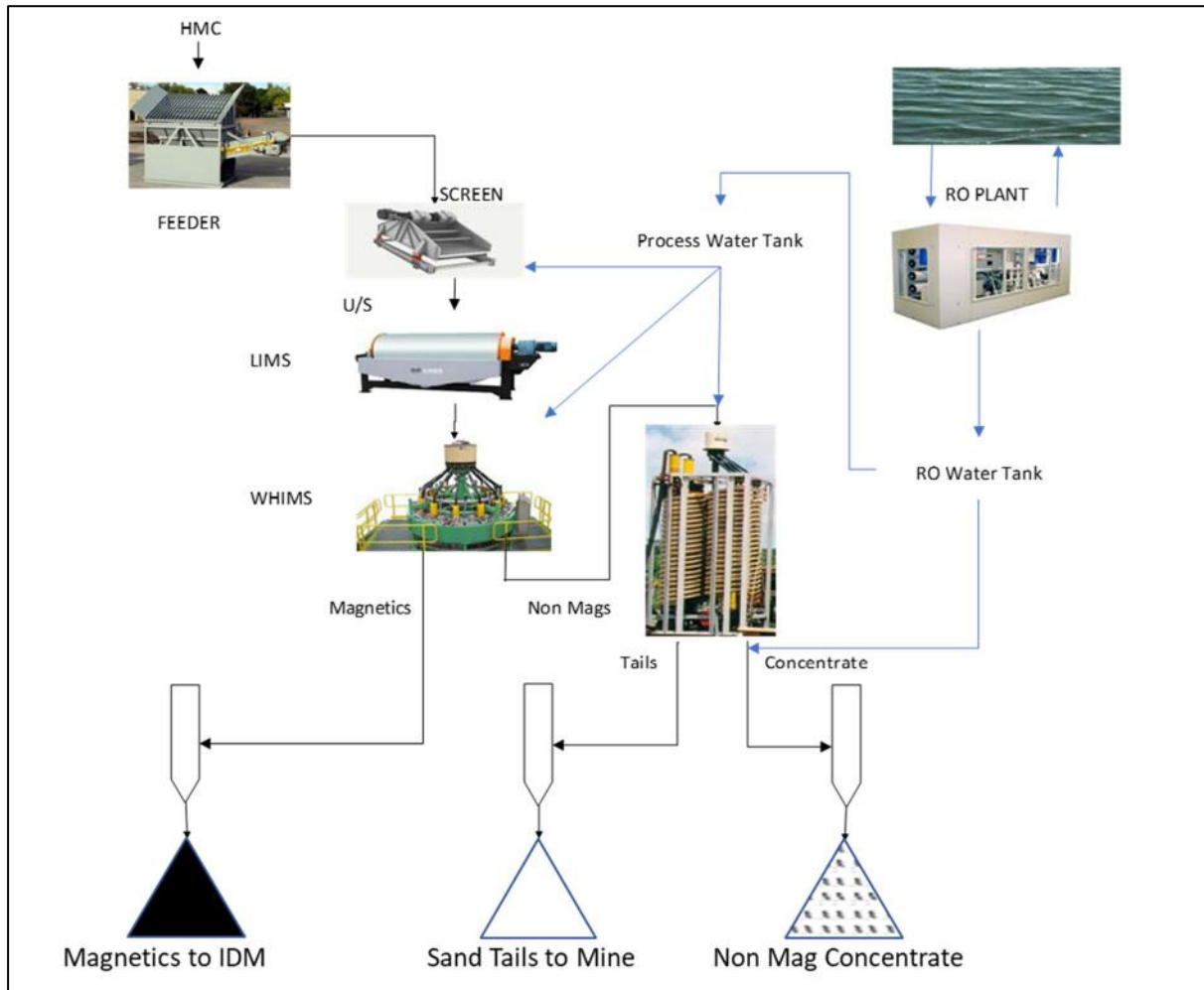
The CUP (Figure 5.4), located at the Oluvil port, is designed to fractionate the HMC using a Wet High Intensity Magnetic Separator (WHIMS) to produce:

- an ilmenite/garnet-rich magnetics product
- a non-magnetic enriched product.

This is followed by spiral upgrading of the non-magnetic product by rejecting the elevated levels of free silica and light lesser or nil value heavy minerals to produce a zircon and rutile enriched non-magnetic concentrate.

The CUP would consist of the following components:

- A feed bin for loading with HMC by a FEL and a discharge conveyor fitted with a belt weigher to control the feed rate to the plant.
- A vibrating screen to remove coarse +850 µm trash (typically <1%).
- The screened feed passes over a low intensity magnetic separator (LIMS) to remove highly magnetic trash minerals (typically <1%).
- The LIMS non-magnetics is fed to a WHIMS to separate the predominantly magnetic minerals of ilmenite and garnet from the other non-magnetic minerals (rutile, zircon, sillimanite and free quartz). The nominal split is 70% to magnetics and 30% to non-magnetics.
- The magnetic fraction is pumped to the magnetics stacking cyclone mounted on a slewing jib to allow the production of discrete stockpiles to facilitate dewatering of the product before the following stage requiring drying of the feed.
- The non-magnetic fraction is presented to a two-stage spiral circuit to reject the free silica and low specific gravity heavy minerals and enrich the levels of zircon and rutile. The resultant concentrate is pumped to a walled structure fitted with a cyclone to dewater the product into stockpiles for drainage. The purpose of the walls is to limit the contamination from windblown material into this high value product.
- The upgraded non-magnetic fraction once sufficiently dry will be placed into either two tonne flexible intermediate bulk containers (FIBC or bulka bags) or direct loaded into 20 foot shipping containers ready for export.
- Water requirements for the CUP will require the use of a desalination plant to provide low salinity water to ensure minimal surface presence of salts to negate the impacts on dry separation and marketability of products. Sea water will be drawn from the harbour for supply to the RO plant. Water losses will be primarily due to drainage of the magnetic and non-magnetic stockpiles.

**Figure 5.4 CUP process flow**


### ILMENITE DRY MILL

The IDM (Figure 5.5) processes the WHIMS magnetics product to prepare final products of:

- primary ilmenite
- secondary ilmenite
- garnet.

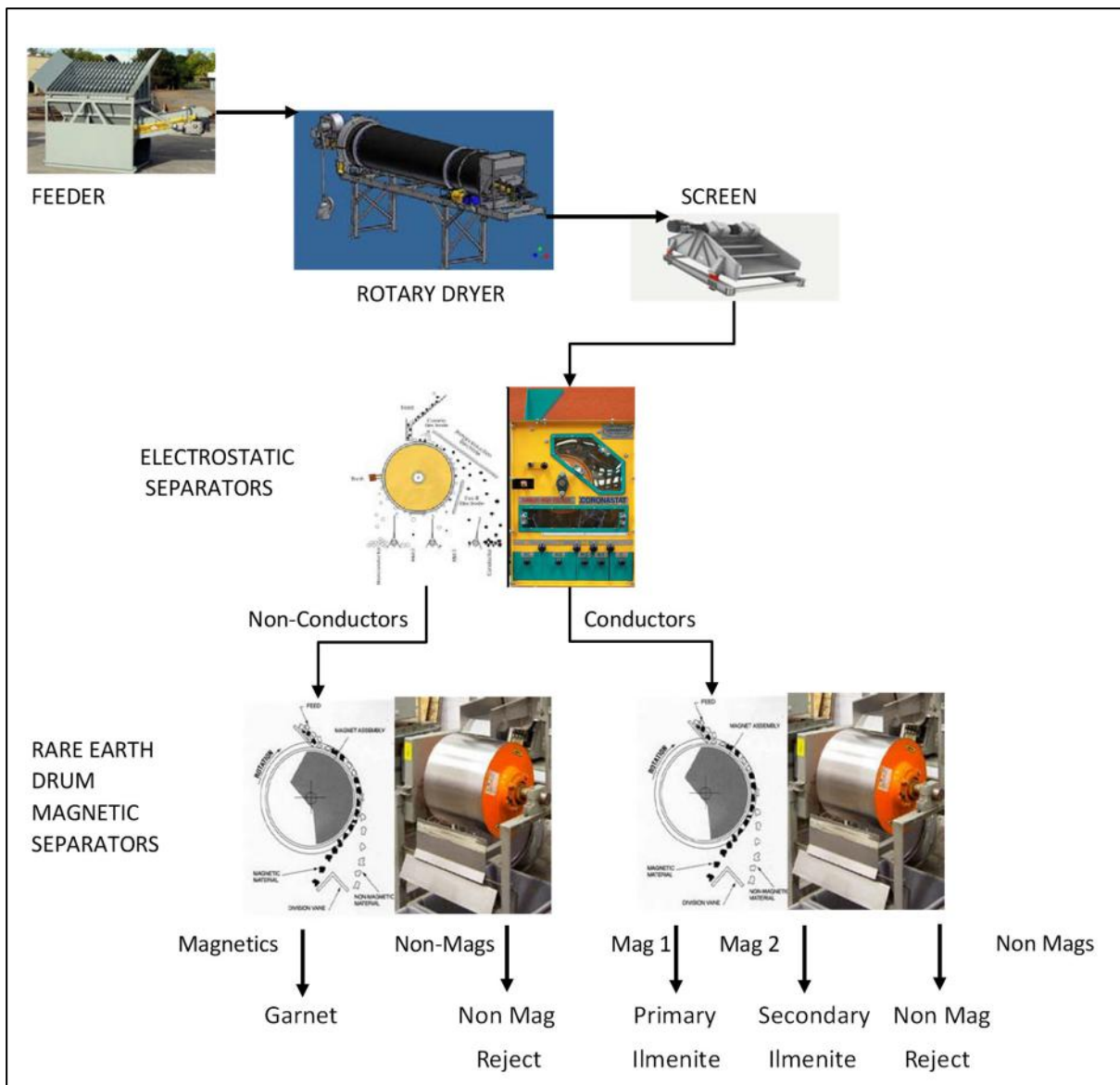
A small amount of recovered zircon and rutile for addition to the WHIMS non-magnetic concentrate is also produced.

The circuit consists of:

- A feed bin for loading the WHIMS magnetics by a FEL and a discharge conveyor fitted with a belt weigher to control the feed rate to the plant.
- A rotary dryer to dry and heat the material for the subsequent dry separation stages.
- A vibrating screen to remove coarse +700  $\mu\text{m}$  trash (typically <1%).
- Two stages of electrostatic separation to separate the conductive (ilmenite and rutile) and non-conductive minerals (garnet, zircon, silica and sillimanite).
- Two stages of magnetic separation of the conductor fractions to prepare the final product of primary and secondary ilmenite and small intermediate stream containing rutile for addition to the WHIMS non-magnetics product.

- One stage of magnetic separation, screening at 300 µm, and a stage of electrostatic separation to prepare a final garnet product (potentially a coarse and fine product), a zircon enriched fraction for addition to the WHIMS non-magnetics product and a reject stream.
- Ilmenite products would be stockpiled in the existing port side sheds in readiness for loading onto barges for transfer to ships for export. Product will be drawn from the stockpiles by FEL and placed onto port side mounted feeder conveyors for direct loading of the ships or barges.
- Garnet products will be placed into either 2 tonne bulka bags or direct loaded into 20 foot shipping containers ready for export.

Figure 5.5 IDM process flow



**MSP AREA INFRASTRUCTURE**

Power is available for supply from the local grid supply from an existing transformer servicing the port area.

Sea water is planned to be drawn by a jetty mounted pump fitted to a screened floating suction and pumped to the RO plant. Hyper saline water is returned to the ocean down current of the current

port entry. Three water tanks will be used being two process water tanks and one desalinated water tank.

The existing storage shed at the Oluvil port may serve as both a bulk ilmenite storage shed and for bagging/storage of non-magnetic concentrate and garnet products. The existing port area includes vacant offices and warehousing which could be used for administration and stores.

There are a number of shipping options to be investigated. Currently it is planned that product will be shipped immediately through the Oluvil port facilities. Alternatively bulk ilmenite may be conveyed directly onto bulk barges berthed alongside the harbour jetty for transfer to larger vessels anchored offshore at Oluvil or at Trincomalee Harbour.

Containerised cargo will either be direct loaded onto suitable vessels for transfer or trucked to a suitable containerised handling port.

## 6. CONCLUSIONS

Based on the Competent Person's assessment of the Project, it is our opinion that the EMP is of value and contains Measured, Indicated and Inferred Mineral Resources as presented. The Competent Person has considered the expenditure schedules, studies and programmes outlined by Capital Metals, particularly the proposed completion of a definitive Feasibility Study, and considers them to be reasonable and appropriate to progress the project. However, all exploration projects are subject to the risk from unforeseen future issues and events beyond the control of the company; in this sense, the EMP is no exception.

The Competent Person considers there is good potential for the development of the EMP subject to the completion of the Feasibility Study, mine permitting and definition of Ore Reserves. In this context, mine permitting means the completion of all of the activities and fulfilment of all obligations such that permission to build and operate a mine can be granted.

Significant progress has been made towards completion of the Feasibility Study with metallurgical test work and processing development. Further process engineering to determine processing plant capital and operating costs are required. Other inputs including site infrastructure (roads, water storage and power, etc.), administration, tax inputs and miscellaneous costs will be finalised during the Feasibility Study.

## 7. DECLARATIONS BY OPTIRO

### 7.1. INDEPENDENCE

Optiro is an independent consulting organisation which provides a range of services related to the minerals industry including, in this case, independent geological services, but also resource evaluation, corporate advisory, mining engineering, mine design, scheduling, audit, due diligence and risk assessment assistance. The principal office of Optiro is at 16 Ord Street, West Perth, Western Australia, and Optiro's staff work on a variety of Projects across a range of commodities worldwide.

This report has been prepared independently and in accordance with the VALMIN and JORC Codes. The authors do not hold any interest in Capital Metals, EPO, their associated parties, or in any of the mineral properties which are the subject of this Report. Fees for the preparation of this Report are being charged at Optiro's standard rates, whilst expenses are reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

## 7.2. QUALIFICATIONS

The principal person responsible for the preparation of this Report, and Competent Person, is Mr Jason Froud (Principal). This report was reviewed by Mrs Christine Standing (Principal). Both Mr Froud and Mrs Christine Standing are employed by Optiro.

Mr Jason Froud [BSc (Hons) Geology, Grad Dip (Fin Mkts), MAIG] is a geologist with over 25 years' experience in mining geology, exploration, resource definition, mining feasibility studies, reconciliation, consulting and corporate roles in gold, iron ore, base metal and uranium deposits principally in Australia and Africa. Jason has previously acted as a Competent Person and Independent Expert across a range of commodities with expertise in mineral exploration, grade control, financial analysis, reconciliation and quality assurance and quality control.

Mrs Christine Standing [BSc (Hons) Geology, MSc (Min Econs), MAusIMM, MAIG] is a geologist with over 35 years' worldwide experience in the mining industry. She has six years' experience as an exploration geologist in Western Australia and over 30 years' experience as a consultant specialising in resource estimation, reconciliation, project management and statutory and Competent Persons' reporting on worldwide projects for a range of commodities. She has acted as a Qualified Person and Competent Person for gold, graphite, silver, copper, mineral sands, nickel, chromium, lithium and PGEs.

## 8. REFERENCES

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## 9. GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS

Term	Explanation
abbreviations	°C - degrees Celsius, CUP – concentrator upgrade plant, FEL – front end loader, g/t – grams per tonne, ha – hectare, IDM – ilmenite dry mill, JV - joint venture, km – kilometre, km <sup>2</sup> – square kilometre, kt – thousand tonnes, LKR – Sri Lankan Rupee, m – metre, m <sup>3</sup> – cubic metres, M – million, MFU – mine feed unit, MSP – mineral separation plant, Mt – million tonnes, NMC – non-magnetic concentrate, PCP – primary concentrator plant, % - percentage, t – tonnes, tpa – tonnes per annum, tph – tonnes per hour, THM – total heavy minerals, VHM – valuable heavy minerals.
chemical elements	Al – Aluminium, Ca – calcium, Fe – iron, Mg – magnesium, O – oxygen, S – sulphur, Si - silicon, Ti – titanium, Zr - zirconium.
amphibolite	A rock composed largely of amphibole and other similar minerals
Cenozoic	The most recent of the three classic geological eras.
complex	A unit of rocks composed of rocks of two or three metamorphic, igneous or sedimentary rock types.
basalt	A fine grained igneous rock consisting mostly of plagioclase feldspar and pyroxene.
bedrock	The solid rock lying beneath superficial material such as gravel or soil.
classification	A system for reporting Mineral Resources and Ore Reserves according to a number of accepted Codes.
cut-off grade	The grade that differentiates between mineralised material that is economic or not to mine.
diamond drilling	Drilling method which produces a cylindrical core of rock by drilling with a diamond tipped bit.
felsic	Silicate minerals, magmas, and rocks which are enriched in the lighter elements such as silica, oxygen, aluminium, sodium, and potassium.
formation	A defined interval of strata, often comprising similar rock types.
garnet	A group of silicate minerals that share a common crystal structure but vary in composition.
gneiss	A common and widely distributed type of rock formed by high-grade regional metamorphic processes from pre-existing formations that were originally either igneous or sedimentary rocks. Gneissic rocks are coarsely foliated and largely recrystallised.
granite	A coarse grained intrusive felsic igneous rock.
granitoid	A common and widely-occurring type of intrusive, felsic, igneous rock.
granulite facies	High-grade metamorphic rocks that have experienced high-temperature and moderate-pressure metamorphism.
ilmenite	A titanium-iron oxide mineral with the idealized formula FeTiO <sub>3</sub> .
Indicated Mineral Resource	'An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.' (JORC 2012)
Inferred Mineral Resource	'An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.' (JORC 2012)
intercept	Mineralised intersection in a borehole.
intrusive	A rock formed when magma cools slowly below the Earth's surface.
JORC Code	The JORC Code provides minimum standards for public reporting to ensure that investors and their advisers have all the information they would reasonably require for forming a reliable opinion on the results and estimates being reported. The current version is dated 2012.
leucoxene	A weathering product of ilmenite where weathering has removed a proportion of the iron content of the ilmenite.
Measured Mineral Resource	'A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered.' (JORC 2012)
metallurgy	Study of the physical properties of metals as affected by composition, mechanical working and heat treatment.
Mineral Resource	'A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.' (JORC 2012)
mineralisation	The process by which a mineral or minerals are introduced into a rock, resulting in a valuable deposit.

Term	Explanation
monazite	A phosphate mineral with a typical chemical composition of (Ce,La,Nd,Th)(PO <sub>4</sub> ,SiO <sub>4</sub> ).
mullock	Waste rock.
palaeochannel	Remnant of an inactive river or stream channel that has been filled or buried by younger sediment.
orthogneiss	A metagneous rock with a gneissic structure; a gneiss formed by the metamorphism of an igneous rock.
palaeodrainage	A drainage channel that was cut by a stream or river but is no longer used by that river.
penepplain	A generally level land surface produced by erosion over a long period, undisturbed by crustal movement.
Pleistocene	Geological epoch (10,000 to 2.6 Ma) following the Pliocene
Precambrian	Rocks older than the Cambrian age.
Proterozoic	Era of the geological time scale within the Precambrian eon containing rocks of approximately 1,000 – 2,500 million years old.
QEMSCAN	Quantitative Evaluation of Minerals by Scanning electron microscopy. An automated, rapid and accurate method for mineralogical analysis.
Quartz	Crystalline silica (SiO <sub>2</sub> ).
Quaternary	A geological period comprising the Pleistocene (2.588 Ma to 11.7 thousand years ago) and the Holocene (11.7 thousand years ago to today).
saprolite	A soft, typically clay-rich, thoroughly decomposed rock, formed in place by chemical weathering of igneous, sedimentary and metamorphic rocks.
sediments	Loose, unconsolidated deposit of debris that accumulates on the Earth's surface.
sillimanite	An aluminosilicate mineral with the chemical formula Al <sub>2</sub> SiO <sub>5</sub> .
vein	A tabular or sheet like body of one or more minerals deposited in openings of fissures, joints, or faults.
ultramafic	Igneous rocks with very low silica content (less than 45%), generally >18% MgO, high FeO, low potassium and are composed of usually greater than 90% mafic minerals.
volcaniclastic	Relating to or denoting a clastic rock which contains volcanic material.
XRF analysis	A method of elemental and chemical analysis using the emission of characteristic secondary (or fluorescent) X-rays from a material that has been excited by bombarding with high-energy X-rays or gamma rays.
zircon	A nesosilicates mineral, zirconium silicate with a chemical formula ZrSiO <sub>4</sub> .

## Appendix A JORC Code Table 1

### SECTION 1 SAMPLING TECHNIQUES AND DATA

Criteria	JORC Code explanation	Commentary
<p><b>Sampling techniques</b></p>	<p><i>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down-hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.</i></p> <p><i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i></p> <p><i>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</i></p>	<ul style="list-style-type: none"> <li>Shallow manual auger drilling using 100 mm diameter auger equipment capable of drilling manually to a depth of 5 m in dry to moist beach sand. All holes were drilled vertically to a maximum depth of 5 m or to the intersection with the water table.</li> <li>Sampling was carried out on 1 m or less downhole lengths collected for entire length of hole. In GSMB drill holes in EMP North sampling was restricted to visually mineralised intervals of 1 m length with 2 m composites occasionally taken. Whole samples were bagged and stored in preparation for further sample preparation.</li> <li>GSMB holes in EMP North were generally stopped above the water table at a point where THM content reduced significantly; in EMP South holes were stopped at the water table.</li> <li>RGD1 holes were drilled to intersect the water table and then stopped. No attempt was made to drill further below the water table based on a directive from GSMB that approval of mining of beach sand below the water table was unlikely to be given.</li> <li>Water injection was practised in holes with very fine uncemented running sand in order to maximise HM sand recovery.</li> <li>Industry standard work where manual auger drilling was used to obtain representative HM sand samples of 1 m length or less from a shallow uncemented beach sand deposit up to a depth of 5 m. The total HM sand samples of 10 to 12 kg per sample were recovered and later riffle split to produce 3 kg samples from which 250 g laboratory samples were obtained by additional riffle splitting.</li> </ul>
<p><b>Drilling techniques</b></p>	<p><i>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).</i></p>	<ul style="list-style-type: none"> <li>Shallow manual auger drilling using 100 mm diameter auger equipment capable of drilling manually to a depth of 5 m in dry to moist uncemented beach sand.</li> </ul>

Criteria	JORC Code explanation	Commentary
Drill sample recovery	<p>Method of recording and assessing core and chip sample recoveries and results assessed.</p> <p>Measures taken to maximise sample recovery and ensure representative nature of the samples.</p> <p>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</p>	<ul style="list-style-type: none"> <li>Sample recovery was visually monitored by checking that the auger bit was full after each advance when the drill was raised.</li> <li>In medium to coarse sand and in dry to moist sand full recovery was obtained with no special measures taken.</li> <li>In fine dry sand water injection was used to moisten the sand in order to maximise recovery.</li> <li>The THM content in the sand is either distributed in narrow high grade bands or as lower grade disseminated mineralisation. There was no observable relationship between recovery and grade, and therefore no sample bias.</li> </ul>
Logging	<p>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</p> <p>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.</p> <p>The total length and percentage of the relevant intersections logged.</p>	<ul style="list-style-type: none"> <li>HM sand samples were logged for colour, grain size, dominant HM mineral present (ilmenite or garnet), cementation state of the sand, bedrock type if any and moisture content.</li> <li>HM sand sample logging was qualitative with a semi-quantitative estimate of the total heavy mineral content.</li> <li>All intersections were geologically logged and sampled.</li> </ul>
Sub-sampling techniques and sample preparation	<p>If core, whether cut or sawn and whether quarter, half or all core taken.</p> <p>If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.</p> <p>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</p> <p>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</p> <p>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</p> <p>Whether sample sizes are appropriate to the grain size of the material being sampled.</p>	<ul style="list-style-type: none"> <li>Not applicable</li> <li>One metre HM sand samples of 10 to 12 kg were reduced to 3 kg samples by field-size riffle splitter. 3 kg samples were transported by road to a laboratory in Colombo where a laboratory-size riffle splitter was used to reduce the samples to a 250 g laboratory sample.</li> <li>Sample preparation is considered to be appropriate for HM sand samples with grain size of samples approximately 90% minus 1 mm in size.</li> <li>Sample preparation involves drying and riffle splitting entire 3 kg sample to 250 g laboratory sample. No crushing or pulverising was necessary.</li> <li>Preparation of duplicate field samples and duplicate laboratory samples every 1 in 20 samples; duplicate samples subjected to the same sample preparation and analytical procedures as original samples.</li> <li>Whole of each 1m sample of 10 to 12 kg of HM sand is bagged and entire sample riffle split to 3 kg.</li> <li>Whole 3 kg sample oven dried and riffle split to obtain 250 g laboratory sample.</li> <li>Sample preparation is considered to be appropriate for HM sand samples with grain size of samples approximately 90% minus 1 mm in size, with no crushing or pulverising required.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Quality of assay data and laboratory tests</b>	<p><i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></p> <p><i>For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></p> <p><i>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</i></p> <p><i>The verification of significant intersections by either independent or alternative company personnel.</i></p> <p><i>The use of twinned holes.</i></p> <p><i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i></p> <p><i>Discuss any adjustment to assay data.</i></p> <p><i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i></p> <p><i>Specification of the grid system used.</i></p> <p><i>Quality and adequacy of topographic control.</i></p>	<ul style="list-style-type: none"> <li>GSMB samples were processed at the GSMB laboratory in Colombo. Laboratory procedures were reviewed and found to be acceptable. GSMB THM grade results are comparable to RGD1 results.</li> <li>RGD1 samples were analysed by Western Geolabs Pty Limited (WGL) at Bellevue, Western Australia. A 100 g split was taken from the 250 g laboratory sample, dry and wet screened at 1 mm and 0.063 mm to obtain oversize, slimes and a -1+0.063 mm sample fraction for float-sink analysis using heavy liquid tetrabromoethane at a SG of 2.96 g/cm<sup>3</sup>.</li> <li>The in-ground percentages of total heavy mineral (THM), +1 mm sand oversize and -0.063 mm clay/silt (slimes) fractions were determined.</li> <li>Not used.</li> <li>Preparation of 58 duplicate field samples and duplicate laboratory samples.</li> <li>Duplicate laboratory splits (128) prepared by WGL.</li> <li>Duplicate samples were subjected to the same sample preparation and analytical procedures as original samples.</li> <li>Results indicate acceptable precision and repeatability.</li> <li>GSMB historical database was reviewed by Competent Person George Brech, FAUSIMM, Technical Director of RGD1 and by resource consultant Richard Hague, MAUSIMM.</li> <li>RGD1 database compiled by George Brech and independently checked by resource consultant Richard Hague.</li> <li>Twinned holes were drilled to obtain comparative data between RGD1 and GSMB drilling in both EMP North and EMP South.</li> <li>Electronic data is initially stored and reported using Excel and then uploaded into an MS Access data base for use with Geovia GEMS resource estimation software. Physical assay reports from WGL are filed in RGD1's Thailand office.</li> <li>All primary data entry is under control of Competent Person George Brech, Technical Director of RGD1, FAUSIMM.</li> <li>All data entry into the MS Access database is under control of resource consultant Richard Hague, MAUSIMM.</li> <li>There have been no adjustments to assay data.</li> <li>GSMB drill holes were located by hand held GPS.</li> <li>RGD1 holes were surveyed by Total Station survey equipment with control points located by digital GPS equipment; horizontal coordinates are linked to Sri Lanka National Grid and vertical elevation linked to mean sea level.</li> <li>There were no down hole surveys carried out due the shallow nature of the drill holes.</li> <li>The drill collar coordinates were converted from WGS84 ellipsoidal coordinates to National Grid coordinates using the Transverse Mercator Projection with the Kandawala coordinate origin 200000 mE and 200000 mN.</li> <li>A topographic DTM model was developed in February 2016 using satellite imagery from the Worldview2 satellite; ground control points and check points were surveyed by digital GPS equipment.</li> <li>The topographic DTM is based on 1 m spaced point data and is considered to be accurate to +/-0.5 m in elevation and</li> </ul>
<b>Verification of sampling and assaying</b>		
<b>Location of data points</b>		

Criteria	JORC Code explanation	Commentary
<b>Data spacing and distribution</b>	<p><i>Data spacing for reporting of Exploration Results.</i></p> <p><i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied</i></p> <p><i>Whether sample compositing has been applied.</i></p>	<p>suitable to produce topographic maps with 1m contours.</p> <ul style="list-style-type: none"> <li>• GSMB drill holes – in EMP North 100 m by 50 m spacing and in EMP South 200 m by 50 m spacing.</li> <li>• RGD1 drill holes – in EMP North ranging from 50 m by 50 m to 200 m by 50 m. In EMP South 100 m by 50 m spacing.</li> <li>• The mineralisation and geology show good continuity from hole to hole along the entire 50 km strike length of the deposit and drill hole spacing is sufficient to support the definition of a Mineral Resource or Ore Reserve.</li> </ul>
<b>Orientation of data in relation to geological structure</b>	<p><i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></p> <p><i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></p>	<ul style="list-style-type: none"> <li>• GSMB drill holes – all holes were logged and sampled at 1 m intervals but for a limited number of 2 m deep drill holes in EMP North, two 1 m samples were combined to form a hole composite for analysis.</li> <li>• RGD1 drill holes – all holes were logged and sampled at 1 m intervals or part thereof.</li> <li>• The deposit exhibits continuous HM sand mineralisation in a north-south strike direction. Strand lines of higher or lower grade HM sand areas are sufficiently wide enough to be adequately sampled on 50 m spaced east-west orientated drill traverses.</li> <li>• No material sampling bias is considered to have been introduced by the drill hole grid.</li> </ul>
<b>Sample security</b>	<p><i>The measures taken to ensure sample security.</i></p>	<ul style="list-style-type: none"> <li>• Samples are bagged and labelled at the drilling site and taken on a daily basis to a secure sample processing facility in Thirukkovil. Drilling company personnel prepare 3 kg samples for dispatch to Colombo in sealed and marked sample bags.</li> <li>• The samples are transported by road directly to the drilling company's own secure laboratory where further sample preparation is undertaken.</li> <li>• 250 g laboratory samples in sealed and labelled bags are air freighted to Perth in Western Australia by an international courier company where they pass through quarantine and are delivered directly to WGL's laboratory in Bellevue, Western Australia.</li> <li>• This is considered to be a secure and reasonable procedure and no instances of tampering with samples have occurred.</li> </ul>
<b>Audits or reviews</b>	<p><i>The results of any audits or reviews of sampling techniques and data.</i></p>	<ul style="list-style-type: none"> <li>• No independent audits have been undertaken on the drilling, sampling or analytical procedures.</li> </ul>

## SECTION 2 REPORTING OF EXPLORATION RESULTS

Criteria	JORC Code explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<p>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</p> <p>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</p>	<ul style="list-style-type: none"> <li>The Eastern Minerals Project comprised two granted Exploration Licences covering 84 km<sup>2</sup> and nine Exploration Licence applications covering a further 623 km<sup>2</sup>. The licences are held through two 100% owned Sri Lankan private limited companies, Damsila Exports Private Limited (DEL) and Eastern Minerals Private Limited (EML).</li> <li>EL168/R/4 was granted in September 2010 and covers an area of 47 km<sup>2</sup>. EL199/R/3 was granted in September 2012 and covers an area of 37 km<sup>2</sup> for a total granted licence area of 84 km<sup>2</sup>. Total area under application, including onshore and offshore applications, is approximately 623 km<sup>2</sup>. The Exploration Licences and Exploration Licence applications include an exclusive right to apply for Industrial Mining Licences.</li> <li>There are no known or expected impediments to operating in the area including joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>Capital Metals and its predecessors have been operating successfully in the region for more than 8 years and licence renewals and grants are expected.</li> <li>Geological mapping, sampling and drilling was previously completed by GSMB in EMP North and EMP South. Capital Metals and its consultants. Twinned holes were drilled to obtain comparative data between RGD1 and GSMB drilling in both EMP North and EMP South</li> </ul>
<b>Exploration done by other parties</b>	<p>Acknowledgment and appraisal of exploration by other parties.</p>	<ul style="list-style-type: none"> <li>The deposit consists of active beach sand and older sand berms that form a continuous strip of heavy mineral sand mineralisation that extends from Akkaraipattu southwards for 50 km to approximately 10 km south of Pottuvil. The source of heavy minerals found in the sand deposits of the Project are the Precambrian rocks of the Highland Complex. Rivers which flow to the sea to the south of Pottuvil have their headwaters in the Highland Complex and result in deposition of heavy minerals along the southern part of the east coast of Sri Lanka.</li> <li>Diagrams in the report show the location of and distribution of drillholes in relation to the Mineral Resource.</li> </ul>
<b>Geology</b>	<p>Deposit type, geological setting and style of mineralisation.</p>	<ul style="list-style-type: none"> <li>Diagrams in the report show the location of and distribution of drillholes in relation to the Mineral Resource.</li> </ul>
<b>Drillhole Information</b>	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drillholes: <ul style="list-style-type: none"> <li>easting and northing of the drillhole collar</li> <li>elevation or RL (elevation above sea level in metres) of the drillhole collar</li> <li>dip and azimuth of the hole</li> <li>down hole length and interception depth hole length.</li> </ul> </li> <li>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.</li> </ul>	<ul style="list-style-type: none"> <li>Not relevant – Mineral Resource is defined.</li> </ul>
<b>Data aggregation methods</b>	<ul style="list-style-type: none"> <li>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.</li> </ul>	<ul style="list-style-type: none"> <li>Not relevant – Mineral Resource is defined.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Relationship between mineralisation widths and intercept lengths</b>	<ul style="list-style-type: none"> <li>If the geometry of the mineralisation with respect to the drillhole angle is known, its nature should be reported.</li> <li>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</li> </ul>	<ul style="list-style-type: none"> <li>Not relevant – Mineral Resource is defined.</li> </ul>
<b>Diagrams</b>	<ul style="list-style-type: none"> <li>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</li> </ul>	<ul style="list-style-type: none"> <li>Included in this report.</li> </ul>
<b>Balanced reporting</b>	<ul style="list-style-type: none"> <li>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</li> </ul>	<ul style="list-style-type: none"> <li>Not relevant – Mineral Resource is defined.</li> </ul>
<b>Other substantive exploration data</b>	<ul style="list-style-type: none"> <li>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</li> </ul>	<ul style="list-style-type: none"> <li>Where relevant this information has been included or referred to elsewhere in this Table.</li> </ul>
<b>Further work</b>	<ul style="list-style-type: none"> <li>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</li> </ul>	<ul style="list-style-type: none"> <li>Further infill drilling, initially within the first planned mining area of Mulliadi, and then stepping out to further mining areas along the entire 49 km strike length.</li> </ul>

### SECTION 3 ESTIMATION AND REPORTING OF MINERAL RESOURCES

Criteria	JORC Code explanation	Commentary
<b>Database integrity</b>	<i>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</i>	<ul style="list-style-type: none"> <li>The initial Excel spreadsheet database was validated by Competent Person George Brech, Technical Director of RGD1, FAUSIMM after completion of all drilling, surveying and analytical work.</li> <li>Resource consultant Richard Hague, MAUSIMM transferred the Excel database to an MS Access database in preparation for uploading data to the Geovia GEMS resource estimation modelling software and completed a second validation of all data including plotting all drill holes on 1:2,000 scale map sheets for both EMP North and EMP South for visual checking.</li> </ul>
<b>Site visits</b>	<p><i>Data validation procedures used.</i></p> <p><i>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</i></p> <p><i>If no site visits have been undertaken indicate why this is the case</i></p>	<ul style="list-style-type: none"> <li>Database validation included checks for gaps between drill hole analytical intervals, missing analytical data, analytical data without corresponding drill hole collar data, and visual check of drill hole collar location on 1:2,000 scale maps with respect to the correct deposit zone.</li> <li>All material errors were identified and corrected.</li> <li>A number of site visits were undertaken by the Competent Person George Brech during the period May to November 2015 in connection with supervision of the RGD1 drilling, drill hole survey and bulk density data collection.</li> <li>Resource consultant Richard Hague made a site visit in November 2015 in the company of George Brech to review the geology, mineralisation and topography of the deposit.</li> <li>Not applicable.</li> </ul>
<b>Geological interpretation</b>	<p><i>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</i></p> <p><i>Nature of the data used and of any assumptions made.</i></p>	<ul style="list-style-type: none"> <li>The mineralisation at the Eastern Minerals Project is contained in a continuous HM sand beach deposit stretching over a strike length of 50 km which is fully exposed with no overburden.</li> <li>The HM mineralisation has a high level of continuity with local variations in grade.</li> <li>The base of the deposit is defined by the intersection of the water table during drilling with a maximum depth from surface of 5 m.</li> <li>The valuable heavy minerals (VHM) consist of ilmenite, altered ilmenite, leucoxene, rutile, zircon, garnet and sillimanite. The percentages of each contained VHM vary along strike with the most abundant VHMs being ilmenite and garnet.</li> <li>There is a high level of confidence in the geological interpretation of the Eastern deposit with the only area of uncertainty being the local variations of THM and VHM within the deposit.</li> <li>All data used was obtained from shallow hand auger drilling; all holes were systematically logged and sampled and all samples analysed for THM.</li> <li>Representative composite samples for all deposit domains were compiled from the THM sinks fraction to obtain VHM data using the QEMSCAN analytical technique in carried out by Bureau Veritas Pty. Limited (BVL) in Perth in combination with XRF analysis.</li> <li>BVL reported titanium oxide bearing minerals in broad ranges as follows: ilmenite 40 to 55% TiO<sub>2</sub>; altered ilmenite 55 to 60% TiO<sub>2</sub>; leucoxene 60 to 95% TiO<sub>2</sub>; and rutile &gt;95% TiO<sub>2</sub>.</li> <li>No assumptions were made for extent, thickness or grade of the deposit.</li> <li>The Competent Person George Brech does not expect an alternative interpretation to be made for the deposit.</li> <li>RGD1 concurred with the interpretation previously made by the Geological Survey and Mines Bureau of Sri Lanka on</li> </ul>

Criteria	JORC Code explanation	Commentary
	<p><i>The use of geology in guiding and controlling Mineral Resource estimation.</i></p>	<p>the geological formation of the beach sand deposit and the distribution of the THM mineralisation within the deposit.</p> <ul style="list-style-type: none"> <li>The longshore movement of sand and the geomorphological development of the coastline have defined the deposit zones (Tidal, Beach, Berm and Fore-dune) that have been recognised in the deposit and form the basis for the geological model used for resource estimation.</li> <li>The north-south continuity of each of the four deposit zones have dictated the methodology used for grade estimation; deposit zone (domain) boundaries have been used as hard boundaries for grade estimation and soft boundaries for resource categorisation.</li> <li>The intersection of the water table provides a clearly defined base for the deposit; the water table is the limit of manual hand augering that can provide good recovery of sample.</li> <li>The continuity of mineralisation is dictated by the four deposit zones with very high continuity in the north-south direction, as defined by the long ranges seen in the deposit variography, and more variable in the east-west direction across each zone.</li> </ul>
<p><b>Dimensions</b></p>	<p><i>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</i></p>	<ul style="list-style-type: none"> <li>The Eastern Minerals Project HM deposit is exposed for the entire 50 km strike length along the coast with no overburden, hence the surface limits of the deposit are well defined.</li> <li>The four deposit zones are continuous and recognisable along the length of the deposit assisted by the presence of small scale topographic features which separate each deposit zone and in the case of the Berm Zone, by the presence of vegetation.</li> <li>The base of the deposit is defined by the water table and the depth of the deposit is generally between 0.5 m and 3 m and reaches a maximum of 5 m in the Fore-dune Zone.</li> </ul>
<p><b>Estimation and modelling techniques</b></p>	<p><i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i></p>	<ul style="list-style-type: none"> <li>The resource consultant Richard Hague used Geovia GEMS software for the resource estimation.</li> <li>Variography and grade estimation were carried out in unfolded space using the GEMS unfolding module and estimated grades were later back-transformed to real space. Unfolding alleviated the problem presented by the local east-west variations in the generally north-south orientated coastline which is also the dominant direction of mineralisation continuity.</li> <li>Grade estimation was achieved using ordinary kriging (OK); statistical analysis of the drill hole assay data indicated that the coefficient of variation (CV) for THM, oversize and slimes were generally less than 1.0 and supported use of OK estimation as did the high continuity of the mineralisation as defined by the variography.</li> <li>The majority of assay samples were of 1 m length and hence 1 m composites were used for grade estimation.</li> <li>There was no top cutting applied to the data prior to estimation.</li> <li>The block model has parent block dimensions of 50 mN by 10 mE by 1 mRL; separate block models were established for the two deposits EMP North and EMP South.</li> <li>Grade estimation was carried out in three passes; the search ellipse for Pass 1 was 45 by 150 by 1.5 m, Pass 2 90 by 300 by 3 m and Pass 3 180 by 600 by 6 m.</li> <li>OK estimation was constrained to within the modelled mineralisation domains by using hard boundaries between deposit zones. Estimates were based on minimum and maximum number of composites of 8/16 for Pass 1, 4/16 for Pass 2 and 2/16 for Pass 3. The number of octants was set at 4 for Passes 1 and 2 and 2 for Pass 3.</li> </ul>
	<p><i>The availability of check estimates, previous estimates and/or mine production records and</i></p>	<ul style="list-style-type: none"> <li>Previous estimates were undertaken in-house by RGD1 in November 2014 for EMP North using only GSMB data and in July 2015 for both EMP North and EMP South using both GSMB and RGD1 data. Differences between these previous</li> </ul>

Criteria	JORC Code explanation	Commentary
	<p>whether the Mineral Resource estimate takes appropriate account of such data.</p> <p>The assumptions made regarding recovery of by-products.</p> <p>Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).</p> <p>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</p> <p>Any assumptions behind modelling of selective mining units.</p> <p>Any assumptions about correlation between variables.</p> <p>Description of how the geological interpretation was used to control the resource estimates.</p> <p>Discussion of basis for using or not using grade cutting or capping.</p> <p>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</p>	<p>estimates are explained by additional RGD1 drilling, drilling to the water table in all cases and re-interpretation of data.</p> <ul style="list-style-type: none"> <li>No assumptions have been made for any by-products.</li> <li>No deleterious elements were estimated in the EMP North and EMP South Mineral Resource estimate.</li> <li>The parent block size for the EMP North and EMP South block models of 50 mN by 10 mE by 1 mRL was appropriately sized relative to the average drill hole spacing. The drill hole spacing along strike varied from 50 m to 200 m and spacing across strike from 20 m to 50 m.</li> <li>The Pass 1 search ellipse dimensions were 45 m by 150 m by 1.5 m.</li> <li>It is envisaged that the Eastern Mineral Resource will be mined using bulk mining and low selectivity methods hence no SMU was incorporated into the resource estimation.</li> <li>The correlation between THM grade and bulk density was used in the bulk density formula for converting volumes to tonnes (see below).</li> <li>No other assumptions about correlation between variables was made.</li> <li>The four physical zones (Tidal, Beach, Berm and Fore-dune) that are clearly identifiable along the length of the deposit formed the basis for the resource dominating in the resource block model.</li> <li>The OK grade estimation was constrained by using the deposit zone boundaries as hard boundaries.</li> <li>Statistical analysis for the assay data indicated that high grade cutting was not required.</li> </ul>
<b>Moisture</b>	<p>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</p>	<ul style="list-style-type: none"> <li>Block model validation of the Eastern Mineral Resource estimate was undertaken using the comparison of model data to drill hole data, utilising swath plots, tonnage grade curves and visual/graphical inspection of block grades against the drill hole data.</li> <li>The Eastern Mineral Resource estimate tonnage is reported on a dry basis.</li> <li>Moisture was excluded from the bulk density calculation which was developed on a dry basis.</li> </ul>
<b>Cut-off parameters</b>	<p>The basis of the adopted cut-off grade(s) or quality parameters applied.</p>	<ul style="list-style-type: none"> <li>The Eastern Mineral Resource estimate was completed at a range of cut offs from 0 to 15% THM.</li> <li>Economic factors were considered in selecting 5% THM as being close to a future economic mining cut off and hence RGD1 considered it appropriate to report the Eastern Mineral Resource at a cut off of 5% THM.</li> </ul>
<b>Mining factors or assumptions</b>	<p>Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining</p>	<ul style="list-style-type: none"> <li>The assumption made with respect to mining is that the deposit is readily amenable to mechanised bulk mining of the beach sand with a low level of selectivity using a front end loader tipping directly into a mobile primary concentrator plant.</li> <li>The deposit has no overburden and after stripping of any vegetation can be mined with little potential mining dilution other than from the base of the deposit where the THM grade decreases or the water table is intersected.</li> <li>Adequate controls on the depth of mining to minimise dilution can be readily implemented.</li> </ul>

Criteria	JORC Code explanation	Commentary
<b>Metallurgical factors or assumptions</b>	<p><i>methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</i></p> <p><i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i></p>	<ul style="list-style-type: none"> <li>• Preliminary metallurgical testwork for the production of small quantities of ilmenite concentrate in a laboratory has indicated that the deposit has potential to produce a number of marketable heavy mineral products including ilmenite, secondary ilmenite, rutile, zircon, garnet and sillimanite.</li> <li>• Metallurgical recoveries of all potential products have not yet been defined and determination will require testwork on representative bulk samples collected from the deposit.</li> </ul>
<b>Environmental factors or assumptions</b>	<p><i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i></p>	<ul style="list-style-type: none"> <li>• It is envisaged that waste sand tailings will be returned to the mined out beach zone immediately behind the working mining face and rehabilitation and final landform achieved with the use of dozers. The bulk of the sand tailings will be from the mobile PCP located on the beach which will return tailings directly to the rehabilitation area. Other waste material will be returned from the off-site mineral separation plant by truck.</li> <li>• No assumptions have been made regarding other environmental factors that may impact the Mineral Resource estimate.</li> <li>• Environmental assessment is being undertaken to assess any environmental issues that may impact the utilisation of the Eastern Mineral Resource such as buffer zones at the mouth of lagoon outlets to the sea, impact on the local fishing industry and other potential community concerns.</li> </ul>
<b>Bulk density</b>	<p><i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i></p>	<ul style="list-style-type: none"> <li>• The bulk density is directly determined through the relationship between the bulk density and THM grade of the HM sand.</li> </ul>

Criteria	JORC Code explanation	Commentary
	<p>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.</p> <p>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</p>	<ul style="list-style-type: none"> <li>The bulk density estimates used in the Eastern resource estimation are based on a linear regression equation which describes the relationship between the dry bulk density and the THM grade of a sample.</li> <li>The regression equation is based on the relationship between 42 samples collected from the Eastern deposit and is: Dry Bulk Density (g/cm<sup>3</sup>) = 0.0102 x THM(%) + 1.5095.</li> <li>Undisturbed HM sand samples were taken from shallow pits excavated in 14 locations in the Oluvi deposit using PVC tubes of known volume. Samples were taken from depths ranging from 0.25 m to 1.0 m below surface from both the Beach and Berm zones. Three samples were taken from each pit in varying THM grade material (high, medium and low grade).</li> <li>The homogeneity of the Eastern beach sand deposit results in only one lithology type in the deposit with the main variable being the THM grade.</li> <li>The variable – Moisture Content – which does vary throughout the deposit is excluded by determining the dry weight of samples after oven drying the collected undisturbed HM sand samples hence allowing all samples to be used directly to determine the dry bulk density and avoiding the need for a correction for moisture content.</li> </ul>
<p><b>Classification</b></p>	<p>The basis for the classification of the Mineral Resources into varying confidence categories.</p> <p>Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</p>	<ul style="list-style-type: none"> <li>The Measured, Indicated &amp; Inferred categorisation for the Eastern resource estimate is primarily based on the data spacing and quality of assay data, and also takes into consideration the confidence in the continuity of geology and mineralisation and confidence in the estimation.</li> <li>All relevant factors have been taken into account with the categorisation criteria applied to the Eastern Mineral Resource estimate. These include data spacing, quality of assay data &amp; bulk density data, confidence in the continuity of geology and mineralisation and confidence in the estimation.</li> </ul>
	<p>Whether the result appropriately reflects the Competent Person's view of the deposit.</p>	<ul style="list-style-type: none"> <li>The Eastern Mineral Resource estimate appropriately reflects the Competent Person's view of this deposit.</li> <li>It should be noted that geological variations on a local scale not defined by the current drill spacing, are likely to occur resulting from geological variations in the percentages of the various VHM minerals present in the HM sand and to a lesser extent variations in the THM grade. Variations at this scale are not represented in the current resource model. Infill drilling to a closer spacing will allow forecasts of VHM percentages to be made during the production stage of the Project.</li> <li>The Competent Person considers the current modelling of THM grade and VHM percentages are adequate to complete Feasibility-level mine planning studies.</li> </ul>
<p><b>Audits or reviews</b></p>	<p>The results of any audits or reviews of Mineral Resource estimates.</p>	<ul style="list-style-type: none"> <li>RGD1's Eastern Mineral Resource estimate was reviewed at a high level in March 2016 by resource consultant Christine Standing who is a full-time employee of Optiro Pty Limited of Perth, Australia on behalf of a potential investor in the Project. The Mineral Resource was reviewed in detail in June 2018 by Christine Standing of Optiro as part of an Independent Technical Report.</li> </ul>
<p><b>Discussion of relative accuracy/ confidence</b></p>	<p>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure</p>	<ul style="list-style-type: none"> <li>The relative accuracy of the Eastern Mineral Resource estimate is reflected in the categorisation in accordance with the guidelines set out in the 2012 JORC Code.</li> <li>The Competent Person considers the drilling technique, survey, sampling/sample preparation, analytical techniques</li> </ul>

Criteria	JORC Code explanation	Commentary
	<p><i>deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</i></p> <p><i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</i></p> <p><i>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i></p>	<p>and database management/validation provided by RGD1 are well within industry standards and that on balance the database is suitable for use in resource estimation for the Eastern Project.</p> <ul style="list-style-type: none"> <li>• The Eastern Mineral Resource estimate is considered to provide a global grade and tonnage estimate of the HM sand resource given the quality and density of the informing data. Infill drilling could improve confidence at a local scale.</li> <li>• Not applicable.</li> </ul>

## PART IV

### HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

In accordance with Rule 28 of the AIM Rules, this Admission Document does not contain historical financial information on Equatorial Palm Oil, which would otherwise be required under Section 20 of Annex I of the AIM Rules.

This information is available on Equatorial Palm Oil's website, as follows:

- Equatorial Palm Oil's audited results for the year ended 30 September 2020 are available at: <https://www.epoil.co.uk/wp-content/uploads/2020/12/2020-Annual-Report-and-Accounts.pdf>
- Equatorial Palm Oil's audited results for the year ended 30 September 2019 are available at: <https://www.epoil.co.uk/wp-content/uploads/2019/11/EPO-Financial-Statements-2019-FINAL-13.09.19.pdf>
- Equatorial Palm Oil's audited results for the year ended 30 September 2018 are available at: <https://www.epoil.co.uk/wp-content/uploads/2018/12/EPO-Financial-Statements-2018-FINAL.pdf>
- Equatorial Palm Oil's audited results for the year ended 30 September 2017 are available at: <https://www.epoil.co.uk/wp-content/uploads/2017/12/epofinancialstatements2017finalforrelease.pdf>

Shareholders or other recipients of this Admission Document may request a hard copy of the above information incorporated by reference from the Company at its registered office, 6th Floor, 60 Gracechurch Street, London, United Kingdom, EC3V 0HR, or by telephoning +44 (0) 207 317 6800. Such copy will be provided to the requester within seven days. A hard copy of the information incorporated by reference will not be sent to Shareholders or other recipients of this Admission Document unless requested.

## PART V

### ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION ON CAPITAL METALS LIMITED

#### SECTION A – ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF CAPITAL METALS LIMITED

PKF Littlejohn LLP



Accountants &  
business advisers

The Directors  
Capital Metals Limited  
Vistra Corporate Service Centre  
Wickhams Cay II  
Road Town, VG110  
Tortola, British Virgin Islands

The Directors  
SPARK Advisory Partners Ltd  
5 St John's Lane  
London  
EC1M 4BH

23 December 2020

Dear Sirs

#### **Capital Metals Limited (the "Company")**

##### **Introduction**

We report on the historical financial information set out in Section B of Part V (the "Financial Information") relating to Capital Metals Limited ("the Company"). This information has been prepared for inclusion in the AIM admission document dated 23 December 2020 (the "Admission Document") relating to the proposed re-admission to AIM of Equatorial Palm Oil plc and on the basis of the accounting policies set out in note 2. This report is given for the purpose of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies and for no other purpose.

##### **Responsibility**

The Directors of the Company are responsible for preparing the Financial Information on the basis of preparation set out in the notes to the Financial Information and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

##### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment

of significant estimates and judgements made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

#### **Emphasis of Matter – Intangible Assets**

We draw attention to note 11 which explains that the Group is in the process of renewing the EML exploration license. We draw users attention to the fact that the recoverable value of the intangible assets is dependent on the Group obtaining the necessary license renewals. Failure to obtain the necessary licence renewals is likely to result in an impairment to the carrying value of Intangible Assets. Our opinion is not modified in this respect.

#### **Opinion**

In our opinion, the Financial Information gives, for the purpose of the Admission Document dated 23 December 2020, a true and fair view of the state of affairs of Capital Metals Limited as at 31 March 2020, 2019 and 2018 and of its results, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### **Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

**PKF Littlejohn LLP**  
Reporting Accountants

## SECTION B

### HISTORICAL FINANCIAL INFORMATION ON CAPITAL METALS LIMITED

#### CAPITAL METALS LIMITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Year to 31 March 2020 \$ Audited	Year to 31 Mar 2019 \$ Audited	15 Months to 31 Mar 2018 \$ Audited
<b>Non-Current Assets</b>				
Exploration and evaluation expenditure .....	11	5,053,037	4,894,251	3,995,065
Property, plant & equipment.....	12	71,891	116,886	160,702
		<u>5,124,928</u>	<u>5,011,137</u>	<u>4,155,767</u>
<b>Current Assets</b>				
Trade and other receivables.....	13	4,661	110,570	226,732
Cash and cash equivalents.....	14	114,150	85,468	1,864,596
		<u>118,811</u>	<u>196,038</u>	<u>2,091,328</u>
<b>Total Assets</b> .....		<u>5,243,739</u>	<u>5,207,175</u>	<u>6,247,095</u>
<b>Non-Current Liabilities</b>				
Borrowings .....	15	453,060	—	—
Deferred tax .....	16	440,784	440,784	440,784
Trade and other payables .....	17	3,162,500	3,162,500	3,162,500
		<u>4,056,344</u>	<u>3,603,284</u>	<u>3,603,284</u>
<b>Current Liabilities</b>				
Trade and other payables .....	17	336,815	298,120	244,107
		<u>336,815</u>	<u>298,120</u>	<u>244,107</u>
<b>Total Liabilities</b> .....		<u>4,393,161</u>	<u>3,901,404</u>	<u>3,847,391</u>
<b>Net Assets / (Liabilities)</b> .....		<u>850,580</u>	<u>1,305,771</u>	<u>2,399,704</u>
<b>Equity</b>				
Share premium .....	18	7,018,112	6,658,301	6,639,640
Other reserves.....	19	567,672	402,539	270,436
Retained losses.....		(6,735,204)	(5,755,069)	(4,510,372)
<b>Total Equity</b> .....		<u>850,580</u>	<u>1,305,771</u>	<u>2,399,704</u>

**CAPITAL METALS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	Year ended 31 March 2020 \$ Audited	Year ended 31 March 2019 \$ Audited	15 month period ended 31 March 2018 \$ Audited
<b>Continuing Operations</b>				
Administrative expenses .....	6	(1,029,644)	(1,249,458)	(1,380,843)
<b>Operating (Loss) / Profit .....</b>		<b>(1,029,644)</b>	<b>(1,249,458)</b>	<b>(1,380,843)</b>
<b>Finance income .....</b>		<b>5,628</b>	<b>6,520</b>	<b>2,322</b>
<b>(Loss) / Profit Before Taxation .....</b>		<b>(1,024,016)</b>	<b>(1,242,938)</b>	<b>(1,378,521)</b>
Income tax expense .....	10	—	(1,759)	—
<b>(Loss) / Profit for the period .....</b>		<b>(1,024,016)</b>	<b>(1,244,697)</b>	<b>(1,378,521)</b>
<b>(Loss) / Profit for the period attributable to owners of the Parent .....</b>		<b>(1,024,016)</b>	<b>(1,244,697)</b>	<b>(1,378,521)</b>
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified to profit or loss</i>				
Currency translation differences		209,014	132,103	(30,221)
Expiry of options during the year .....		43,881	—	—
<b>Total comprehensive income attributable to owners of the Parent .....</b>		<b>(771,121)</b>	<b>(1,112,594)</b>	<b>(1,408,742)</b>
<b>Basic earnings per share – cents .....</b>	21	<b>(0.96)</b>	<b>(1.06)</b>	<b>(1.58)</b>

**CAPITAL METALS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share premium \$	Other reserves \$	Retained losses \$	Total \$
<b>Balance as at 1 January 2017</b>	<b>3,606,826</b>	<b>300,657</b>	<b>(3,131,851)</b>	<b>775,632</b>
Loss for the period .....	—	—	(1,378,521)	(1,378,521)
<b>Other comprehensive loss for the period</b>				
Currency translation differences .....	—	(30,221)	—	(30,221)
<b>Total comprehensive loss for the period</b>	—	(30,221)	(1,378,521)	(1,408,742)
<b>Transactions with owners</b>				
Issue of ordinary shares.....	3,610,480	—	—	3,610,480
Share issue costs.....	(147,666)	—	—	(147,666)
Buyback of ordinary shares .....	(430,000)	—	—	(430,000)
<b>Total transactions with owners .....</b>	<b>3,032,814</b>	<b>—</b>	<b>—</b>	<b>3,032,814</b>
<b>Balance as at 31 March 2018.....</b>	<b>6,639,640</b>	<b>270,436</b>	<b>(4,510,372)</b>	<b>2,399,704</b>
Loss for the period .....	—	—	(1,244,697)	(1,244,697)
<b>Other comprehensive loss for the period</b>				
Currency translation differences .....	—	132,103	—	132,103
<b>Total comprehensive loss for the period</b>	—	132,103	(1,244,697)	(1,112,594)
<b>Transactions with owners</b>				
Issue of ordinary shares.....	55,517	—	—	55,517
Share issue costs.....	(36,856)	—	—	(36,856)
<b>Total transactions with owners .....</b>	<b>18,661</b>	<b>132,103</b>	<b>(1,244,697)</b>	<b>(1,093,933)</b>
<b>Balance as at 31 March 2019.....</b>	<b>6,658,301</b>	<b>402,539</b>	<b>(5,755,069)</b>	<b>1,305,771</b>
Loss for the period .....	—	—	(1,024,016)	(1,024,016)
<b>Other comprehensive loss for the period</b>				
Currency translation differences .....	—	209,014	—	209,014
<b>Total comprehensive loss for the period</b>	—	209,014	(1,024,016)	(815,002)
<b>Transactions with owners</b>				
Issue of ordinary shares.....	372,152	—	—	372,152
Share issue costs.....	(12,341)	—	—	(12,341)
Expiry of options during the year.....	—	(43,881)	43,881	—
<b>Total transactions with owners .....</b>	<b>359,811</b>	<b>(43,881)</b>	<b>43,881</b>	<b>359,811</b>
<b>Balance as at 30 September 2020 .....</b>	<b>7,018,112</b>	<b>567,672</b>	<b>(6,735,204)</b>	<b>850,580</b>

**CAPITAL METALS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

		Year ended 31 March 2020 \$ Audited	Year ended 31 March 2019 \$ Audited	15 month period to 31 March 2018 \$ Audited
	Note			
<b>Cash flows from operating activities</b>				
Loss / profit before taxation .....		(1,024,016)	(1,242,938)	(1,378,521)
<i>Adjustments for:</i>				
Depreciation.....	6	17,905	35,959	20,596
Foreign exchange .....	6	275,199	189,976	(30,221)
Profit on sale of property, plant and equipment.....		(4,396)	—	—
Interest expense .....		15,429	—	—
Interest income .....		(1,232)	(376)	—
Income tax .....	10	—	(1,759)	—
<i>Changes in working capital:</i>				
Increase in trade and other receivables ..	13	105,909	116,165	(214,058)
Decrease / (increase) in trade and other payables.....	17	48,321	94,530	(380,087)
<b>Net cash flows (used in)/from operating activities .....</b>		<b>(566,881)</b>	<b>(808,443)</b>	<b>(1,982,291)</b>
<b>Investing activities</b>				
Interest received.....		1,232	376	—
Proceeds from disposal of property, plant and equipment.....		20,042	—	—
Purchase of property, plant and equipment	12	(530)	(7,435)	(180,940)
Cash used in exploration activities .....	11	(215,153)	(899,186)	(1,398,648)
Forex difference in exploration activities .....		—	(109,687)	—
<b>Net cash used in investing activities.....</b>		<b>(194,409)</b>	<b>(1,015,932)</b>	<b>(1,579,588)</b>
<b>Financing activities</b>				
Proceeds from borrowings.....	15	428,472	—	—
Proceeds from issue of equity .....	18	362,527	15,000	3,610,480
Buyback of ordinary shares .....	18	—	—	(430,000)
Cost of share issue .....	18	(12,341)	(36,856)	(147,666)
<b>Net cash from financing activities .....</b>		<b>778,658</b>	<b>(21,856)</b>	<b>3,032,814</b>
<b>Net increase/(decrease) in cash and cash equivalents .....</b>		<b>17,368</b>	<b>(1,846,231)</b>	<b>(529,065)</b>
<b>Cash and cash equivalents at beginning of period .....</b>		<b>85,468</b>	<b>1,864,596</b>	<b>2,393,661</b>
Exchange differences on cash.....		11,314	67,103	—
<b>Cash and cash equivalents and end of period.....</b>	14	<b>114,150</b>	<b>85,468</b>	<b>1,864,596</b>

**Major non-cash transactions**

On 31 March 2019, the Company issued and allotted 270,111 new ordinary shares with no par value at a price of \$0.15 each as consideration for consultants' fees. On 3 July 2019, the Company issued and allotted 55,000 new ordinary shares with no par value at a price of \$0.175 each as consideration for consultants' fees.

**CAPITAL METALS LIMITED**  
**NOTES TO THE HISTORIC FINANCIAL INFORMATION**

**1. General Information**

The principal activity of Capital Metals Limited (the 'Company') and its subsidiaries (together the 'Group') is the exploration and development of mineral sands resources in Sri Lanka. The Company is incorporated and domiciled in the British Virgin Islands.

The address of its registered office is Vistra Corporate Services Centre, Wickhams Cay II, VG1110, Road Town, Tortola, British Virgin Islands.

**2. Accounting policies**

The principal accounting policies applied in the preparation of the Historic Financial Information are set out below. These Policies have been consistently applied to all the periods presented, unless otherwise stated.

**2.1. Basis of preparing of financial statements**

The Group Historic Financial Information has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and IFRIC Interpretations Committee ('IFRS IC'). The Historic Financial Information has also been prepared under the historical cost convention, other than liabilities measured at fair value through profit or loss.

The Historic Financial Information is presented in United States Dollars rounded to the nearest dollar.

The preparation of Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

The principal accounting policies applied in the preparation of the Consolidated Historic Financial Information are set out below. These policies have been consistently applied unless otherwise stated.

**2.2. Changes in accounting policy and disclosures**

*(a) New and amended standards mandatory for the first time for the financial periods beginning on or after 1 April 2019*

The Group has adopted all of the new and amended standards and interpretations issued by the International Accounting Standards Board that are relevant to its operations and effective for accounting periods commencing on or after 1 April 2019.

*(b) New standards, amendments and interpretations in issue but not yet effective or not yet endorsed and not early adopted*

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2019 and have been applied in preparing these financial statements. None have had a significant effect on the financial statements of the Group and Company.

- IFRS 16 "Leases"
- Annual improvements to IFRS 2015-2017 Cycle
- IFRIC 23 "Uncertainty over income tax treatments"

**2.3. Basis of Consolidation**

The Group Historic Financial Information consolidate the financial information of Capital Metals Limited and all its subsidiary undertakings for the 15-month period to 31 March 2018, the year ended 31 March 2019 and the year ended 31 March 2020.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has

the ability to affect those returns through its power over the entity. Where an entity does not have returns, the Group's power over the investee is assessed as to whether control is held. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

During the period ended 31 December 2015, the Group acquired 100% of the share capital of Damsila Exports (Pvt) Limited and Eastern Materials (Pvt) Limited, companies registered in Sri Lanka. These transactions were treated as asset acquisitions as they did not meet the definition of a business combination under IFRS 3.

Below is a summary of subsidiaries of the Group at 31 March 2020:

Name of subsidiary	Place of business	Parent company	Registered capital	Share capital held	Principal activities
Brighton Metals Limited.....	British Virgin Islands	Capital Metals Limited	Ordinary shares US\$1	100%	Holding company
Redgate Lanka (Pvt) Limited.....	Sri Lanka	Brighton Metals Limited	Ordinary shares Rs 23,555,266	100%	Holding / Investment
Damsila Exports (Pvt) Limited.....	Sri Lanka	Brighton Metals Limited	Ordinary shares Rs 1,110,100	4%	Exploration
	Sri Lanka	Redgate Lanka (Pvt) Limited	Ordinary shares Rs 24,421,765	96%	Exploration
Eastern Minerals (Pvt) Limited.....	Sri Lanka	Brighton Metals Limited	Ordinary shares Rs 10,000	1%	Exploration
	Sri Lanka	Redgate Lanka (Pvt) Limited	Ordinary shares Rs 815,000	99%	Exploration
Keynes Investment (Pvt) Limited.....	Sri Lanka	Brighton Metals Limited	Ordinary shares Rs 1	100%	Exploration

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### 2.4. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in Part I and Part II of this document. In addition, Note 3 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and details of its exposure to credit and liquidity risk.

The Historical Financial Information has been prepared on a going concern basis. Although the Group's assets are not generating revenue streams, an operating loss has been reported and an operating loss is expected in the 12 months subsequent to date of the signing of these Financial Statements, the Directors believe that the Group will have access to adequate resources to meet its required exploration activities and working capital needs over the next 12 months from the date of approval of the Financial Statements. The Group has access to financial resources, as evidenced by the interest in the loan note being issued to raise US\$370,000 coupled with the progress being made on the proposed IPO onto the London Stock Exchange. The Directors believe, having considered management prepared forecasts, that these sources of funds will be sufficient to fund the Group's committed expenditure. However, there can be no assurance that the Group will be able to gain access to the necessary funding and this uncertainty has been exacerbated by COVID-19.

The Directors have, in the light of all the above circumstances, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Historic Financial Information.

The auditors make reference to a material uncertainty in relation to going concern within the audit report.

## **2.5. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

## **2.6. Foreign currencies**

### *(a) Functional and presentation currency*

Items included in the Financial Statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Company is US Dollars. The functional currency of the Sri Lankan subsidiaries is Sri Lankan Rupee. The Financial Statements are presented in US Dollars, rounded to the nearest dollar, which is the Group's functional and presentational currency.

### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

### *(c) Group companies*

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income where material.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

## **2.7. Intangible Assets**

### *Exploration and evaluation assets*

The Group recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets, relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Exploration and evaluation assets are recorded and held at cost. Exploration and evaluation assets are not amortised but are assessed for impairment, with an impairment test being required when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash

generating units, which are based on specific projects or geographical areas. Whenever the exploration for and evaluation of mineral resources does not lead to the discovery of commercially viable quantities of mineral resources or the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to profit or loss.

## **2.8. Property, Plant & Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Software and computer equipment – 3 years

Vehicles – 4 years

Field & Office Equipment – 4 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

## **2.9. Impairment of non-financial assets**

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss.

The carrying amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

## **2.10. Financial Assets**

### **Classification**

The Group has classified all of its financial assets as loans and receivables including cash and cash equivalents. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

### **Recognition and measurement**

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

### **Impairment**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

### **2.11. Financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables.

### **2.12. Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and are subject to an insignificant risk of changes in value.

### **2.13. Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **2.14. Share Based Payments**

The Group has made awards of options and warrants over its unissued share capital to certain Directors and employees as part of their remuneration package. Certain warrants have also been issued to shareholders as part of their subscription for shares and suppliers for various services received. The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in Note 20 to the Financial Information. The total amount to be expensed or charged in the case of options is determined by reference to the fair value of the options granted:

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

In the case of shares and warrants the amount charged to the share premium account is determined by reference to the fair value of the services received if available. If the fair value of the services received is not determinable the shares are valued by reference to the market price and the warrants are valued by reference to the fair value of the warrants granted as described previously.

Non-market vesting conditions are included in assumptions about the number of options or warrants that are expected to vest. The total expense or charge is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original

estimates, if any, in the income statement or equity as appropriate, with a corresponding adjustment to a separate reserve in equity.

When the warrants or options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share premium when the warrants or options are exercised.

### **2.15. Earnings per share**

Basic earnings per share is calculated as profit or loss attributable to equity holders of the parent for the period, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

### **2.16. Reserves**

Foreign currency translation reserve – the foreign currency translation reserve represents the effect of changes in exchange rates arising from translating the financial information of subsidiary undertakings into the Group's presentation currency.

Share option reserve – The share option reserve represents the fair value of share options and warrants in issue. The amounts included are recycled to retained losses on exercise or expiry of the options and warrants.

Retained losses – the retained losses reserve includes all current and prior periods retained profit and losses.

### **2.17. Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

### **2.18. Current and deferred income tax**

The tax charge/(credit) represents tax currently payable less any credit for deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from the loss for the year as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the relevant jurisdiction in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax is not discounted.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **3. Financial risk management**

#### **3.1. Financial risk factors**

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

Risk management is carried out by the executive management team.

##### *a) Market risk*

The Group is exposed to market risk, primarily relating to interest rate, foreign exchange and commodity prices. The Group does not hedge against market risks as the exposure is not deemed sufficient to enter into forward contracts. The Group has not sensitised the figures for fluctuations in interest rates, foreign exchange or commodity prices as the Directors are of the opinion that these fluctuations would not have a significant impact on the Financial Information at the present time. The Directors will continue to assess the effect of movements in market risks on the Group's financial operations and initiate suitable risk management measures where necessary.

A 10% increase / decrease of the LKR:USD exchange rate would have a \$4,402 impact on the Group's pre-tax earnings for the period and on equity.

##### *b) Credit risk*

Credit risk arises from cash and cash equivalents as well as outstanding receivables. To manage this risk, the Group periodically assesses the financial reliability of customers and counterparties.

The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

##### *c) Liquidity risk*

The Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital or debt. The Directors are reasonably confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

#### **3.2. Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to enable the Group to continue its exploration and development of mineral sand resources. In order to maintain or adjust the capital structure, the Group may adjust the issue of shares or sell assets.

The Group defines capital based on the total equity of the Group. The Group monitors its level of cash resources available against future planned operational activities and may issue new shares in order to raise further funds from time to time.

### **4. Critical accounting estimates and judgements**

The preparation of the Financial Information in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Information and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce this Financial Information.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

#### **4.1. Fair value of exploration and evaluation assets**

In connection with the business combinations in 2015, the Directors' determined that the consideration paid did not reflect the fair value of the exploration assets acquired. The fair value of the exploration assets of \$1,568,750 was estimated by applying a number of valuation metrics which include; geological upside potential, mineralogy, market benchmarks and application of local market factors resulting in a \$2,020,000 fair value adjustment before consideration of tax implications.

#### **4.2. Carrying value of exploration and evaluation assets**

Exploration and evaluation costs have a carrying value at 31 March 2020 of \$5,053,037 (2019: \$4,894,251 / 31 March 2018: \$3,995,065). Management tests annually whether exploration projects have future economic value in accordance with the Groups accounting policy on intangible assets. Each exploration project is subject to an annual review. When there are indications that an asset may be impaired, the Group is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Group to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. If this proves to be incorrect and the project does not have any value, the exploration and evaluation costs will be written off to the statement of comprehensive income.

Management also makes judgements in respect of the potential success of licence renewal applications.

#### **4.3. Contingent consideration**

The consideration for the acquisition of the Sri Lanka assets was split into 3 tranches based on the following milestones:

- Tranche 1: upon completion of initial fundraising;
- Tranche 2: payable upon the completion of a feasibility study on the project; and
- Tranche 3: commencement of first commercial production

For each tranche, a probability was estimated for the likelihood of completion (Note 16) and applied to the total consideration payable for each tranche to estimate the total deferred consideration payable. The probability estimated for the likelihood of completion was considered at each period end. If these estimates prove incorrect then the amounts payable in respect of the acquisition may be different to those stated within the financial information.

Whilst a probability estimate has been applied to the potential success of each milestone, no discount factor has been applied to the contingent consideration in respect of the timing as to when these events will occur. This is due to the fact that, whilst management consider that these events will take place, they are dependent on timing variables that cannot be reliably estimated. The variable is the need and timing of further funding of a set quantum so that the necessary work programmes can be undertaken. The outcome of any fundraise is uncertain and this uncertainty has been exacerbated by COVID-19. Additionally, meeting the deadlines is dependent on the success of the work programmes which is not certain and for which work will need to be completed following on from the fundraise which is itself uncertain. As such management consider it most appropriate to recognise, at present, no discount in respect of this matter. However, discounting will commence following a successful fund raise as management consider that it is at this stage a reliable time estimate will be able to be made. (See Note 16).

#### **4.4. Share Based Payments**

The Group has made awards of options and warrants over its unissued share capital to certain Directors and employees as part of their remuneration package. Certain warrants have also been issued to shareholders as part of their subscription for shares and suppliers for various services received. The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture

rates. These assumptions have been described in more detail in Note 19 to the Financial Information.

## 5. Segment information

The Directors are of the opinion that the Group comprises a single activity being the exploration and development of mineral sand resources in Sri Lanka. As such the financial information of the segment is the same as that set out in the primary statements.

## 6. Expenses by nature

	Year ended 31 March 2020 \$ Audited	Year ended 31 March 2019 \$ Audited	15 month period ended 31 March 2018 \$ Audited
<b>Administrative expenses</b>			
Directors' fees.....	260,000	148,723	366,292
Professional & consulting fees.....	295,809	531,246	441,283
Insurance .....	5,157	17,915	18,095
Office expenses.....	45,482	121,665	133,098
Travel and subsistence expenses.....	35,416	135,519	180,511
Foreign exchange .....	294,153	189,976	150,439
Depreciation.....	17,905	35,959	20,596
Other expenses .....	75,722	68,455	70,529
	<b>1,029,644</b>	<b>1,249,458</b>	<b>1,380,843</b>

Other net losses relate to differences on foreign exchange.

## 7. Employees

CML and its subsidiaries had 11 employees during the period to 31 March 2020 (2019: 15 / 2018: Nil). The Directors provided professional services as required on a part-time basis. Details of Directors' remuneration are disclosed in Note 8.

## 8. Directors' and key management personnel remuneration

	Year ended 31 March 2020 \$ Audited	Year ended 31 March 2019 \$ Audited	15 month period ended 31 March 2018 \$ Audited
Short term employee benefits.....	281,536	314,142	512,959

Of total director fees for the period, \$nil (2019: \$200,000 / 2018: \$146,667) were capitalised in accordance with IFRS 6 as exploration and evaluation related costs and are shown as an addition to intangible assets in the year.

Nil pension benefits are provided for any Director (2019: nil / 2018: nil). During the periods presented, there were no key management personnel aside from the Directors.

## 9. Auditors remuneration

During the period, the Company obtained the following services from the Company's auditors and its associates:

	Year ended 31 March 2020 \$ Audited	Year ended 31 March 2019 \$ Audited	15 month period ended 31 March 2018 \$ Audited
Audit / review of the financial statements .....	27,930	26,660	7,403
	<u>27,930</u>	<u>26,660</u>	<u>7,403</u>

## 10. Taxation

### Analysis of Charge in the Year

	Year ended 31 March 2020 \$ Audited	Year ended 31 March 2019 \$ Audited	15 month period ended 31 March 2018 \$ Audited
Current tax .....	—	1,759	—
Deferred tax .....	—	—	—
Total tax.....	<u>—</u>	<u>1,759</u>	<u>—</u>

No additional deferred tax asset has been recognised on accumulated tax losses due to uncertainty as to when the operations will generate sufficient profits against which to offset such assets.

### Factors Affecting Current Tax Charge

The weighted average applicable tax rate of 28% (2019: 28% / 2018: 28%) is a combination of the rates used in the BVI and Sri Lanka:

	Year ended 31 March 2020 \$ Unaudited	Year ended 31 March 2019 \$ Audited	15 month period ended 31 March 2018 \$ Audited
(Loss) / profit before tax .....	(1,024,016)	(1,242,938)	(1,378,521)
Tax at the applicable rate of 28% (2019: 28% / 2018: 28%)	(286,724)	(348,023)	(385,986)
Effects of:			
Expenditure not deductible for tax .....	—	—	—
Net tax effect of losses carried forward .....	286,724	346,264	385,986
Tax charge .....	<u>—</u>	<u>(1,759)</u>	<u>—</u>

## 11. Intangible assets

	Exploration and evaluation assets \$
<b>Cost</b>	
<b>As at 1 January 2017</b> .....	<b>2,596,417</b>
Additions.....	1,398,648
<b>As at 31 March 2018</b> .....	<b>3,995,065</b>
Additions.....	899,186
<b>As at 31 March 2019</b> .....	<b>4,894,251</b>
Additions.....	215,153
Foreign exchange.....	(56,367)
<b>As at 31 March 2020</b> .....	<b>5,053,037</b>

Exploration projects in Sri Lanka are at an early stage of development. The Directors undertook an assessment of the following areas and circumstances that could indicate the existence of impairment:

- the Group's right to explore in an area has expired, or will expire in the near future without renewal;
- no further exploration or evaluation is planned or budgeted for;
- a decision has been taken by the Board to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves; and
- sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

Following their assessment, the Directors concluded that no impairment charge was necessary for the periods ended 31 March 2020.

Moreover, the Group is in the process of reviewing its exploration licenses in November 2020. The recoverable value of the intangible assets is dependent on the Group obtaining the necessary license renewals subsequent to the fiscal year-end. Considering such event is yet to occur and indefinite to happen, the auditors have included an emphasis of matter paragraph in this regard. There is no additional evidence of an impairment for the year ended 31 March 2020.

## 12. Property, plant & equipment

	Vehicles \$	Field equipment \$	Software \$	Office equipment \$	Total \$
<b>Cost</b>					
<b>As at 1 January 2017</b> .....	—	—	—	358	358
Additions .....	63,291	71,520	13,491	32,512	180,814
Disposal .....	—	—	—	(360)	(360)
<b>As at 31 March 2018</b> .....	<b>63,291</b>	<b>71,520</b>	<b>13,491</b>	<b>32,510</b>	<b>180,812</b>
Additions .....	—	670	—	6,763	7,433
Forex .....	(7,153)	(8,143)	(1,525)	(3,995)	(20,816)
<b>As at 31 March 2019</b> .....	<b>56,138</b>	<b>64,047</b>	<b>11,966</b>	<b>35,278</b>	<b>167,429</b>
Additions .....	—	—	56	474	530
Disposals .....	(30,961)	—	—	(1,215)	(32,176)
Foreign exchange .....	(1,981)	(4,345)	(815)	(2,176)	(9,317)
<b>As at 31 March 2020</b> .....	<b>23,196</b>	<b>59,702</b>	<b>11,207</b>	<b>32,361</b>	<b>126,466</b>
<b>Depreciation</b>					
<b>As at 1 January 2017</b> .....	—	—	—	—	—
Charged in the period .....	5,027	5,027	5,028	5,028	20,110
<b>As at 31 March 2018</b> .....	<b>5,027</b>	<b>5,027</b>	<b>5,028</b>	<b>5,028</b>	<b>20,110</b>
Charged in the period .....	7,608	7,608	6,900	8,317	30,433
<b>As at 31 March 2019</b> .....	<b>12,635</b>	<b>12,635</b>	<b>11,928</b>	<b>13,345</b>	<b>50,543</b>
Charged / credited in the period.....	790	2,440	(762)	1,564	4,032
<b>As at 31 March 2020</b> .....	<b>13,425</b>	<b>15,075</b>	<b>11,166</b>	<b>14,909</b>	<b>54,575</b>
<b>Net book value as at 31 March 2020</b> .....	<b>9,771</b>	<b>44,627</b>	<b>41</b>	<b>17,452</b>	<b>71,891</b>
Net book value as at 31 March 2019 .....	43,503	51,412	38	21,933	116,886
Net book value as at 31 March 2018 .....	58,264	66,493	8,463	27,482	160,702

The depreciation expense is recognised in administrative expenses as set out in note 6.

## 13. Trade and other receivables

	31 March 2020 \$ <b>Audited</b>	31 March 2019 \$ <b>Audited</b>	31 March 2018 \$ <b>Audited</b>
Other receivables.....	4,661	110,570	226,732
	<b>4,661</b>	<b>110,570</b>	<b>226,732</b>

Other receivables are all due within one year. The fair value of other receivables is the same as their carrying values stated above and form part of the Groups financial assets together with cash and cash equivalents. Other receivables contain no impaired amounts.



If an IPO or other event has not occurred by the end of the term, the convertible bonds will be converted at the lower of \$0.175 per ordinary share or a 25% discount to the last fundraising price.

The bond holder can elect to have the interest settled in cash post IPO proceeds received, or convert at the lower of \$0.0175 per Ordinary Share or 25% discount to the IPO placing price.

— Options

The bond holder will receive a 3 year option at the time of conversion at IPO, with an exercise price at 30% premium to the IPO placing price.

Interest accrued on the convertible bonds to 31 March 2020 was \$10,670.

## 16. Deferred tax

An analysis of deferred tax liabilities is set out below.

	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
Deferred tax liability after more than 12 months .....	<b>440,784</b>	440,784	440,784
<b>Deferred tax liabilities</b> .....	<b>440,784</b>	440,784	440,784

The movement in the deferred tax account is as follows:

	<b>31 March 2020</b>	<b>31 March 2019</b>
At 1 January .....	<b>440,784</b>	440,784
As at 31 December .....	<b>440,784</b>	440,784

The deferred tax liability arises as a result of fair value adjustments on the Damsila Exports (Pvt) Limited and the Eastern Minerals (Pvt) Limited business combinations. The Group has additional capital losses of approximately \$440,784 (2019: \$440,784 / 2018: \$440,784) available to carry forward against future taxable profits.

No deferred tax asset has been recognised in respect of these tax losses because of uncertainty over the timing of future taxable profits against which the losses may be offset.

## 17. Trade and other payables

	31 March 2020 \$ <b>Audited</b>	31 March 2019 \$ <b>Audited</b>	31 March 2018 \$ <b>Audited</b>
<b>Current</b>			
Trade payables .....	83,229	80,689	202,901
Accruals .....	151,431	21,389	13,807
Other payables .....	102,155	196,042	27,399
	<b>336,815</b>	<b>298,120</b>	<b>244,107</b>
<b>Non-current</b>			
Deferred Consideration .....	1,193,750	1,193,750	1,193,750
Other payables .....	1,968,750	1,968,750	1,968,750
	<b>3,162,500</b>	<b>3,162,500</b>	<b>3,162,500</b>

Included within Other payables are the amounts payable with respect to finders fees relating to the acquisition of Damsila Exports (Pvt) Limited and Eastern Minerals (Pvt) Limited that is due and payable upon the satisfaction of certain milestones within the Group and include milestone cash and shares being:

- \$1,125,000 (non-current) in shares (recorded at 95% of face value) upon completion of feasibility study on the project; and
- \$1,125,000 (non-current) in shares (recorded at 80% of face value) upon commencement of first commercial production.

Included within deferred consideration is the consideration payable with respect to the acquisition of Damsila Exports (Pvt) Limited and Eastern Minerals (Pvt) Limited that is due and payable upon the satisfaction of certain milestones within the Group and include milestone cash being:

- \$375,000 (current) in cash upon completion of first tranche fundraising – paid during the 15 month to 31 March 2018 period;
- \$625,000 (non-current) in cash (recorded at 95% of face value) upon completion of feasibility study on the project; and
- \$750,000 (non-current) in cash (recorded at 80% of face value) upon commencement of first commercial production.

## 18. Share premium

	Number of shares	Share premium \$
<b>As at 1 January 2017</b> .....	<b>86,125,000</b>	<b>3,606,826</b>
Issue of new shares – 11 August 2017.....	5,779,122	1,733,735
Issue of new shares – 26 March 2018.....	12,511,633	1,876,745
Buyback of ordinary shares <sup>(1)</sup> .....	—	(430,000)
Share issue costs.....	—	(147,666)
<b>As at 31 March 2018</b> .....	<b>104,415,755</b>	<b>6,639,640</b>
Issue of new shares – 9 April 2018.....	100,000	15,000
Issue of new shares – 31 March 2019 <sup>(3)</sup> .....	270,111	40,517
Share issue costs.....	—	(36,856)
<b>As at 31 March 2019</b> .....	<b>104,785,866</b>	<b>6,658,301</b>
Issue of new shares – 11 April 2019.....	382,300	66,903
Issue of new shares – 26 April 2019.....	300,000	52,500
Issue of new shares – 13 May 2019.....	810,714	141,875
Issue of new shares – 3 July 2019 <sup>(4)</sup> .....	633,571	110,875
Share issue costs.....	—	(12,341)
<b>As at 31 March 2020</b> .....	<b>106,912,451</b>	<b>7,018,112</b>

(1) Following a resolution of the Directors, the Company bought back 8,600,000 shares at purchase price of \$0.05 from the Murphy Investment Trust. These shares are held as Company treasury shares.

(2) 1,297,000 shares were issued as settlement of services to the Company in lieu of cash for a value of \$172,139.

(3) 270,111 shares were issued as settlement of services to the Company in lieu of cash for a value of \$40,517.

(4) 55,000 shares were issued as settlement of services to the Company in lieu of cash for a value of \$9,625.

Share capital is the amount subscribed for share at nominal value. The nominal value of shares is \$0.00.

Share premium is the amount subscribed for share capital in exercise of nominal value, allotted, authorised and fully paid.

## 19. Other reserves

	31 March 2020 \$ Audited	31 March 2019 \$ Audited	31 March 2018 \$ Audited
Foreign currency translation reserve .....	286,362	77,348	(54,755)
Share option reserve .....	281,310	325,191	325, 191
	<u>567,672</u>	<u>402,549</u>	<u>270,436</u>

## 20. Financial Instruments

31 March 2020 Financial assets / liabilities	Financial assets at fair value through profit or loss \$	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
Fair value assets through profit or loss	—	—	—	—
Trade and other receivables.....	—	4,661	—	4,661
Cash and cash equivalents.....	—	114,150	—	114,150
Trade and other payables .....	(3,162,500)	—	(336,815)	(3,499,315)
Borrowings .....	—	—	(453,060)	(453,060)
	<u>(3,162,500)</u>	<u>118,811</u>	<u>(782,267)</u>	<u>(3,833,564)</u>

31 March 2019 Financial assets / liabilities	Financial assets at fair value through profit or loss \$	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
Fair value assets through profit or loss	—	—	—	—
Trade and other receivables.....	—	110,570	—	110,570
Cash and cash equivalents.....	—	85,468	—	85,468
Trade and other payables .....	(3,162,500)	—	(298,120)	(3,460,620)
	<u>(3,162,500)</u>	<u>196,038</u>	<u>(298,120)</u>	<u>(3,264,582)</u>

31 March 2018 Financial assets / liabilities	Financial assets at fair value through profit or loss \$	Financial assets at amortised cost \$	Financial liabilities at amortised cost \$	Total \$
Fair value assets through profit or loss .....	—	—	—	—
Trade and other receivables .....	—	226,732	—	226,732
Cash and cash equivalents.....	—	1,864,596	—	1,864,596
Trade and other payables .....	(3,162,500)	—	(244,107)	(3,406,607)
	<u>(3,162,500)</u>	<u>2,091,328</u>	<u>(244,107)</u>	<u>(1,315,279)</u>

### Capital Risk Management

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The overall strategy of the Company and the Group is to minimise costs and liquidity risk.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, foreign exchange reserves and retained earnings as disclosed in the Consolidated Statement of Changes of Equity.

The Group is exposed to a number of risks through its normal operations, the most significant of which are interest, credit, foreign exchange and liquidity risks. The management of these risks is vested to the Board of Directors.

The sensitivity has been prepared assuming the liability outstanding was outstanding for the whole period. In all cases presented, a negative number in profit and loss represents an increase in finance expense / decrease in interest income.

### Fair Value Measurements Recognised in the Statement of Financial Position

The following provides an analysis of the Group's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 & 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 2 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).
- Level 3 assets are assets whose fair value cannot be determined by using observable inputs or measures, such as market prices or models. Level 3 assets are typically very illiquid, and fair values can only be calculated using estimates or risk-adjusted value ranges.

### Equity Price Risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for both strategic and trading purposes.

## Interest Rate Risk

The Group is exposed to interest rate risk whereby the risk can be a reduction of interest received on cash surpluses held and an increase in interest on borrowings the Group may have. The maximum exposure to interest rate risk at the reporting date by class of financial asset was:

	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
	\$	\$	\$
Bank balances .....	114,150	85,468	1,864,596

Given the extremely low interest rate environment on bank balances, any probable movement in interest rates would have an immaterial effect.

## Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. Indicators that there is no reasonable expectation of recovery include, amongst others, failure to make contractual payments for a period of greater than 120 days past due.

The carrying amount of financial assets represents the maximum credit exposure.

The principal financial assets of the Company and Group are bank balances and trade receivables. The Group deposits surplus liquid funds with counterparty banks that have high credit ratings and the Directors consider the credit risk to be minimal.

The Group's maximum exposure to credit by class of individual financial instrument is shown in the table below:

	<b>31 March 2020</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>31 March 2019</b>
	<b>Carrying Value</b>	<b>Maximum Exposure</b>	<b>Carrying Value</b>	<b>Maximum Exposure</b>
	\$	\$	\$	\$
Cash and cash equivalents.....	114,150	114,150	85,468	85,468
Trade receivables .....	4,661	4,661	110,570	110,570
	<u>118,811</u>	<u>118,811</u>	<u>196,038</u>	<u>196,038</u>
			<b>31 March 2018</b>	<b>31 March 2018</b>
			<b>Carrying Value</b>	<b>Maximum Exposure</b>
			\$	\$
Cash and cash equivalents .....			1,864,596	1,864,596
Trade receivables.....			226,732	226,732
			<u>2,091,328</u>	<u>2,091,328</u>

No aged analysis of financial assets is presented as no financial assets are past due at the reporting date.

### Trade receivables

The Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS's. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities as well as the impairment of financial assets.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. During the period, there were no credit losses experienced and no loss allowance being recorded.

### Currency Risk

The Group operates in a global market with income and costs possibly arising in a number of currencies and is exposed to foreign currency risk arising from commercial transactions, translation of assets and liabilities and net investment in foreign subsidiaries. Exposure to commercial transactions arise from sales or purchases by operating companies in currencies other than the Companies' functional currency. Currency exposures are reviewed regularly.

The Group has a limited level of exposure to foreign exchange risk through their foreign currency denominated cash and receivable balances:

	31 March 2020 \$	31 March 2019 \$	31 March 2018 \$
<i>Cash and cash equivalents</i>			
US Dollar .....	70,133	32,214	1,837,141
Sri Lankan Rupee .....	44,017	53,254	27,455
	<u>114,150</u>	<u>85,468</u>	<u>1,864,596</u>
<i>Other receivables</i>			
US Dollar .....	1,762	78,830	170,418
Sri Lankan Rupee .....	2,899	31,740	56,314
	<u>4,661</u>	<u>110,570</u>	<u>226,732</u>
	<u>118,811</u>	<u>196,038</u>	<u>2,091,328</u>

The table below summaries the impact of a 10% increase / decrease in the relevant foreign exchange rates versus the Sri Lankan Rupee rate for the Group's pre-tax earnings for the period and on equity.

	31 March 2020 \$	31 March 2019 \$	31 March 2018 \$
<i>Impact of 10% rate change</i>			
As at 30 June .....	<u>4,692</u>	<u>8,499</u>	<u>8,377</u>

### Liquidity Risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to

meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The Group seeks to manage liquidity risk by regularly reviewing cash flow budgets and forecasts to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group deems there is sufficient liquidity for the foreseeable future.

The Group had cash and cash equivalents at period end as below:

	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents .....	114,150	85,468	1,864,596

## 21. Share Based Payments

Warrants and options outstanding at 31 March 2020 have the following expiry dates and exercise prices:

<b>Grant date</b>	<b>Expiry date</b>		<b>Shares</b>	
			<b>Exercise price per share</b>	<b>Granted in 2016</b>
3 August 2016.....	3 August 2021	Options	\$0.15	10,000,000
				10,000,000

The fair value of the warrants and options was determined using the Black Scholes valuation model. The key inputs used are detailed below:

	<b>2016 Options</b>
Granted on: .....	03/08/2016
Life (years) .....	5 years
Risk free rate .....	0.67%
Expected volatility .....	34.27%
Expected dividend yield .....	—
Marketability discount .....	20%
Total fair value (\$) .....	281,310

The risk free rate of return is based on zero yield government bonds for a term consistent with the option life.

The movement of warrants and options granted over the periods is shown below:

	31 March 2020		31 March 2019	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Opening balance .....	11,666,666	0.124	11,666,666	0.124
Cancelled.....	—	—	—	—
Granted.....	—	—	—	—
Expired.....	(1,666,666)	—	—	—
Outstanding as at 31 March 2020 / 31 March 2019 .....	10,000,000	0.15	11,666,666	0.124
Exercisable as at 31 March 2020 / 31 March 2019.....	10,000,000	0.15	11,666,666	0.124

	31 March 2018	
	Number	Weighted average exercise price (\$)
Opening balance.....	11,666,666	0.124
Cancelled .....	—	—
Granted .....	—	—
Outstanding as at 31 March 2018.....	11,666,666	0.124
Exercisable as at 31 March 2019 .....	11,666,666	0.124

2020				2019			
Weighted average exercise price (\$)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)	Weighted average exercise price (\$)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
0.15	10,000,000	1.40	1.40	0.124	11,666,666	2.10	2.10

2018			
Weighted average exercise price (\$)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
0.124	11,666,666	3.10	3.10

No options or warrants were exercised during the period. The total fair value charged to the statement of comprehensive income for the year ended 31 March 2020 was \$nil (2019: nil / 2018). An amount of \$43,881 was credited to the statement of comprehensive income for the year ended 31 March 2020 following the expiry of warrants on 17 November 2019 (2019: \$nil / 2018: \$nil).

## 22. Earnings per share

The calculation of the basic and diluted earnings per share is calculated by dividing the loss for the period from continuing operations for the Group by the weighted average number of ordinary shares in issue during the period.

	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>15 Months to 31 March 2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>Unaudited</b>	<b>Audited</b>	<b>Audited</b>
Loss for the period from continuing operations .....	(1,024,016)	(1,244,697)	(1,378,521)
Weighted average number of shares in issue .....	106,912,451	104,513,289	89,249,407
<b>Basic (loss)/earnings per share .....</b>	<b>(0.96)</b>	<b>(1.06)</b>	<b>(1.58)</b>

There is no difference between the basic and diluted loss per share for all periods as the effect would be to decrease earnings per share.

## 23. Related parties

### Intercompany Loans and Equity Investments

As at 31 March 2020 \$1,977,972 (2019: \$1,750,000 / 2018: \$1,225,000) had been sent from Capital Metals Limited to Damsila Exports (Pvt) Limited which is treated as investment, which is eliminated on consolidation of the Group. The activities of the Sri Lankan subsidiaries are funded by the ultimate parent entity, Capital Metals Limited via loans and equity investment within the Group, which loans and equity investments are eliminated on consolidation of these Group Financial Statements.

### Other transactions

In addition to Director fees paid during the year, the following payments were made in addition to director fees during the period to related parties:

- Arwon Capital (UK) Limited, a company of which Michael Frayne and former director Alexander Barblett are directors provided corporate consulting services to the Group to the value of \$nil during the year (2019: \$92,546 / 2018: \$39,000). \$nil was owing at period-end.
- Kemosabe Capital, a company to which David Shearwood is associated was paid fees of \$Nil (2019: \$65,180, 2018: \$39,000) for corporate advisory and capital raising services. The balance owed to Kemosabe Capital at the year end was \$Nil (2019: \$Nil, 2018: \$Nil)
- Capital Metals Pty Limited, a company of which Stephen Ross is a Director, received money due to the Group in relation to shares issued. The Group was owed \$nil (2019: \$65,068 / 2018: \$134,773) by Capital Metals Pty Limited at the end of the year.
- Michael Frayne lent the Company a total of \$155,000 – refer Note 15 for full details.

## 24. Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

## 25. Events after the reporting period

Following the year end the COVID-19 pandemic has had a global impact. The situation is continually developing and as at the date of this report the situation will need continual attention and will continue to evolve over time.

The rapid development and fluidity of the COVID-19 virus makes it difficult to predict the ultimate impact on the Group at this stage. In line with most experts, we believe that the impact of the virus will be material on the general economy and central banks have already begun to reduce interest rates and taking other measures. Undoubtedly, this will have implications for the Group's operations, for example restricting travel movements and impacting fund raising activities as investors look to delay decisions until the crisis is over. Management is in the process of addressing the impact of COVID-19 on the Group, however given the fluidity and volatility of the situation it is not possible to quantify the impact at this stage.

On 3 May 2020, the Company transferred 93,333 shares from treasury to settle creditor amounts owing, at the issue price of \$0.15 per share.

On 1 July 2020, the Company transferred 1,300,000 shares from treasury in consideration for consulting and advisory service, of which 800,000 shares were to directors and officers of the Company or their associated entities, at the issue price of \$0.15 per share.

On 13 October 2020, the Company agreed with director Michael Frayne for the provision of a further \$32,000 in funds to the Company for working capital purposes, through an amendment to the existing loan agreement, increasing the principal to \$112,000.

On 17 October 2020, the Company transferred 975,000 shares from treasury to the holders of 10 million options over 10 million ordinary shares in the Company, with an exercise price of US\$0.15 per share and an expiry date of 3 August 2021 ("the Options"), in consideration for the cancellation of the Options.

On 17 October 2020, the Company cancelled 3,131,667 shares held in treasury, resulting in nil shares being held in treasury.

On 21 October 2020 AIM Listed Equatorial Palm Oil Plc ("EPO") announced that it had reached conditional agreement with parties holding a majority of the shares (51.4 per cent.) ("CML Majority") in the Company for EPO to acquire their shares in the Company in exchange for ordinary shares in EPO.

The proposed acquisition ("Proposed Acquisition") will constitute a reverse takeover transaction pursuant to the AIM Rules for Companies. Following the Proposed Acquisition, the Company's business will constitute all of the EPO's business.

EPO issued the same offer to the remaining shareholders in the Company which, if accepted, will result in the acquisition of up to 100 per cent. of the entire issued share capital of Company ("CML Shares") for an aggregate total consideration of £15.84 million by the issue of up to 132,000,000 new Ordinary Shares in EPO ("Consideration Shares"). This equates to a price of 12 pence per Consideration Share ("Issue Price") to be issued following a proposed 20:1 share consolidation of EPO (equivalent to 0.6 pence per existing Ordinary Share of EPO).

The offer by EPO to all CML shareholders ("the Offer") specified, *inter alia*, the following terms:

- In consideration for the acquisition of the CML Shares, EPO proposed to issue 1 Consideration Share for every 1.235 CML Shares sold.
- That completion of the Proposed Acquisition is conditional, amongst other things, on
  - the passing of resolutions at a general meeting to be convened by EPO, to approve : the Proposed Acquisition, a 20:1 share consolidation, and a placing of new ordinary shares ("Placing Shares") in EPO; and
  - admission of the Placing Shares and Consideration Shares to trading on AIM becoming effective on or before 31 March 2021.

Completion of the Offer is conditional on acceptances being received from the holders of CML Shares holding more than 75 per cent. of the issued CML Shares (unless otherwise agreed between EPO and the Company, with the approval of the EPO's Nominated Adviser).

As at the date the Financial Statements were approved by the Board of Directors on 21 December 2020, EPO advised that it had received acceptances from the holders of CML Shares holding 98.3 per cent. of the issued CML Shares, and that completion of the Proposed Acquisition is expected to take place in January 2021.

On 12 November 2020, the Company agreed with EPO for the provision of a loan of \$50,000 for working capital purposes. The loan attracts an interest rate of 1% per month which if accrued will compound monthly. The loan is repayable within 12 months of the drawdown.

## **26. Auditors**

The Consolidated Historic Financial Information presented has been audited by PKF Littlejohn LLP for the periods ended 31 March 2020, 31 March 2019 and 31 March 2018. The audit opinions thereon were unqualified.

PART VI

SECTION A

UNAUDITED *PRO FORMA* STATEMENT OF NET ASSETS  
OF THE ENLARGED GROUP

ACCOUNTANT'S REPORT ON THE UNAUDITED *PRO FORMA* STATEMENT OF  
NET ASSETS

PKF Littlejohn LLP



Accountants &  
business advisers

The Directors  
Equatorial Palm Oil Plc  
6th Floor  
60 Gracechurch Street  
London  
EC3V 0HR

The Directors  
SPARK Advisory Partners Limited  
5 St John's Lane  
London  
EC1M 4BH

23 December 2020

Dear Sirs

**Report on the unaudited *pro forma* statement of net assets**

We report on the unaudited *pro forma* statement net assets (the "**Statement of *Pro forma* Net assets**") set out Section B of Part VI, of the Admission Document dated 23 December 2020, which has been prepared on the basis described in notes 1 to 7, for illustrative purposes only, to provide information about how the re-admission, the Placing and the Acquisition of Capital Metals Limited might have affected the financial information presented on the basis of the accounting policies adopted by Equatorial Palm Oil plc ("**the Company**").

This report is required by guidance issued by the London Stock Exchange with respect to AIM and is given for the purpose of complying with the guidance issued by the London Stock Exchange and for no other purpose.

**Responsibilities**

It is the responsibility solely of the Directors of the Company to prepare the Statement of *Pro forma* Net assets.

It is our responsibility to form an opinion as to the proper compilation of the Statement of *Pro forma* Net assets and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

PKF Littlejohn LLP • 15 Westferry Circus • Canary Wharf • London E14 4HD

PKF Littlejohn LLP, Chartered Accountants. A list of members' names is available at the above address. PKF Littlejohn LLP is a limited liability partnership registered in England and Wales No. OC342572. Registered office as above. PKF Littlejohn LLP is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purposes of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering evidence supporting the adjustments and discussing the Statement of *Pro forma* Net assets with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Statement of *Pro forma* Net assets has been properly compiled on the basis stated and as such is consistent with the accounting policies of the Company.

**Opinion**

In our opinion:

- The Statement of *Pro forma* Net assets has been properly compiled on the basis set out therein;
- Such bases are consistent with the accounting policies of the Company; and
- The adjustments are appropriate for the purposes of the Statement of *Pro forma* Net assets as disclosed.

**Declaration**

For the purposes of guidance issued by the London Stock Exchange we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included within the Admission Document in compliance with guidance issued by the London Stock Exchange.

Yours faithfully

**PKF Littlejohn LLP**

## PART VI

### SECTION B

#### UNAUDITED *PRO FORMA* STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

Set out below is an unaudited *pro forma* statement of net assets as at 30 September 2020 (the “Unaudited *Pro Forma* Financial Information”) of Equatorial Palm Oil Plc (“the Company”) and Capital Metals Limited (“CML”) (together “the Enlarged Group”). The Unaudited *Pro Forma* Financial Information of the Enlarged Group has been prepared on the basis set out in the notes below to illustrate the impact of the Placing the Subscription, and the Acquisition as if it had taken place on 30 September 2020.

The Unaudited *Pro Forma* Financial Information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Group’s actual financial position or results. Such information may not, therefore, give a true picture of the Enlarged Group’s financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

The Unaudited *Pro Forma* Financial Information is based on the audited net assets of the Company as at 30 September 2020 and audited net assets of CML as at 31 March 2020 as shown in Parts IV and V (*Historical Financial Information*). No adjustments have been made to take account of trading, expenditure or other movements of the Company subsequent to 30 September 2020, being the date of the last published balance sheet of the Company and subsequent to 31 March 2020 for CML, being the date of the last published balance sheet of CML.

The Unaudited *Pro Forma* Financial Information does not constitute financial statements within the meaning of section 434 of the Act. Investors should read the whole of this Admission Document and not rely solely on the summarised financial information contained in this Part VI.

#### Unaudited *pro forma* statement of net assets at 30 September 2020

	The Company Net assets as at 30 September 2020 – audited (Note 1) US\$ '000s	CML Net assets as at 31 March 2020 – audited (Note 2) US\$ '000s	Issue of Placing Shares and Subscription Shares net of costs (Note 3) US\$ '000s	Acquisition adjustment (Note 4) US\$ '000s	Unaudited <i>pro forma</i> adjusted aggregated net assets of the Enlarged Group on Admission US\$ '000s
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	—	5,053	—	—	5,053
Property, plant and equipment	2	72	—	—	74
Other receivable	—	—	—	—	—
<b>Non-current assets</b>	<b>2</b>	<b>5,125</b>	<b>—</b>	<b>—</b>	<b>5,127</b>
<b>Current assets</b>					
Trade and other receivables	69	5	—	—	74
Cash and cash equivalents	1,172	114	2,174	(160)	3,300
<b>Current assets</b>	<b>1,241</b>	<b>119</b>	<b>2,174</b>	<b>(160)</b>	<b>3,374</b>
<b>Total assets</b>	<b>1,243</b>	<b>5,244</b>	<b>2,174</b>	<b>(160)</b>	<b>8,501</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	107	337	—	—	444
<b>Current liabilities</b>	<b>107</b>	<b>337</b>	<b>—</b>	<b>—</b>	<b>444</b>
<b>Non-current liabilities</b>					
Borrowings	—	453	—	(453)	—
Deferred tax	—	441	—	—	441
Trade & other payables	—	3,163	—	—	3,163
	—	4,057	—	(453)	3,674
<b>Total liabilities</b>	<b>107</b>	<b>4,394</b>	<b>—</b>	<b>(453)</b>	<b>4,058</b>
<b>Total assets less total liabilities</b>	<b>1,136</b>	<b>850</b>	<b>2,174</b>	<b>293</b>	<b>4,453</b>

## 1.1 Notes

The *Pro forma* statement of net assets has been prepared on the following basis:

1. The net assets of the Company as at 30 September 2020 have been extracted without adjustment from the audited Financial Statements referred to in Part IV of this Admission Document.
2. The net assets of CML as at 31 March 2020 have been extracted without adjustment from the audited Historic Financial Information to which is set out in Part V of this Admission Document.
3. An adjustment has been made to reflect the proceeds of a placing of 16,666,666 Ordinary Shares of the Company and 708,333 Subscription Shares of the Company at an issue price of 12 pence per Ordinary Share net of an adjustment to reflect the payment in cash of admission costs estimated at approximately US\$610,000 million.
4. A proforma adjustment has been made to reflect the repayment of the CML directors' loans payable of US\$85,000 and conversion of the convertible loans in CML of \$368,000. Of the convertible loans, \$75,000 are expected to be settled in cash, with the remainder being automatically converted.

The Company will need to determine the fair value of the net assets acquired pursuant to the proposed acquisition within 12 months of the acquisition date in accordance with IFRS 3. This process, known as a Purchase Price Allocation ("**PPA**") exercise, may result in reduction of goodwill, which may be material. The PPA process will require a valuation of identifiable intangible assets acquired. The approach adopted by the Directors is permissible and appropriate, as IFRS 3 allows a measurement period of 12 months for the finalisation of the PPA and calculation of goodwill.

5. No adjustments have been made to the historical results of any entities within the Enlarged Group to reflect the trading or other transactions other than described since 30 September 2020 for the Company, and since 31 March 2020 for CML.
6. As at 22 December 2020 (the latest practical date prior to the publication of the Admission Document) the exchange rate between the USD (\$) and GBP (£) was £1:\$1.335.
7. The *Pro forma* statement of net assets does not constitute financial statements.

## PART VII

### TAXATION

#### **General**

The following statements do not constitute tax advice and are intended only as a general guide to current UK law as applied in England and Wales and HMRC published practice, which may not be binding on HMRC, as at the date of this Admission Document (which are both subject to change at any time, possibly with retrospective effect). They relate only to certain limited aspects of the UK taxation treatment of Shareholders in connection with the Offer and are intended to apply only, except to the extent stated below, to persons who are resident and, if individuals, domiciled in the UK for UK tax purposes, who are absolute beneficial owners of the New Ordinary Shares and any dividends paid on them (otherwise than through an Individual Savings Account or a Self-Invested Personal Pension) and who hold the New Ordinary Shares as investments (and not as securities to be realised in the course of a trade).

They may not apply to certain Shareholders, such as dealers in securities, insurance companies and collective investment schemes, Shareholders who are exempt from taxation and Shareholders who have (or are deemed to have) acquired their New Ordinary Shares by virtue of an office or employment. Such persons may be subject to special rules.

**Any person who is in any doubt as to their tax position, or who is subject to taxation in any jurisdiction other than the UK, should consult their own professional adviser without delay.**

#### **United Kingdom taxation**

##### ***Taxation of dividends***

###### ***(A) United Kingdom resident shareholders***

The following information is based on current UK tax law in relation to rules applying to dividends paid to individuals and trustees from 6 April 2020 onwards. There is a dividend allowance of £2,000 per annum for individuals. Dividends falling within this allowance will not be subject to income tax. If an individual receives dividends in excess of this allowance in a tax year, the excess will be taxed at 7.5 per cent., (for individuals not liable to tax at a rate above the basic rate), 32.5 per cent. (for individuals subject to the higher rate of income tax) and 38.1 per cent. (for individuals subject to the additional rate of income tax). The rate of tax paid on dividend income by trustees of discretionary trusts is 7.5 per cent. (for dividend income that falls within the standard rate band) and 38.1 per cent. (for dividend income that falls above the standard rate band). United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive.

###### ***(B) Companies***

Subject to UK dividend exemption rules, a corporate Shareholder resident in the UK (for tax purposes) should generally not be subject to corporation tax or income tax on dividend payments received from the Company.

###### ***(C) Non-residents***

Non-resident shareholders may be liable to tax on dividend income under the tax law of their jurisdiction of residence. Non-UK resident Shareholders should consult their own tax advisers in respect of their liabilities on dividend payments.

##### ***Taxation of chargeable gains***

###### ***(A) Individual Shareholders***

A disposal or deemed disposal of New Ordinary Shares by a Shareholder who is resident in the UK for tax purposes may give rise to a chargeable gain (or allowable loss) for the purposes of UK capital gains tax, depending on the circumstances and subject to any available exemption or relief.

###### ***(B) Corporate Shareholders***

Where a Shareholder is within the charge to corporation tax, including cases where it is not resident (for tax purposes) in the UK, a disposal of New Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, dependent on the circumstances and subject to any relevant exemption or relief.

### ***(C) Non-resident Holders***

A Shareholder that is not resident in the UK (and is not temporarily non-resident) for UK tax purposes and whose New Ordinary Shares are not held in connection with carrying on a trade, profession or vocation in the UK nor held in a UK 'property rich company' generally will not be subject to UK tax on chargeable gains on the disposal of New Ordinary Shares.

### ***Stamp Duty and Stamp Duty Reserve Tax ("SDRT")***

The statements below (which apply whether or not a Shareholder is resident or domiciled in the UK) summarise the current position and are intended as a general guide only to stamp duty and SDRT. Certain categories of person are not liable to stamp duty or SDRT, and special rules apply to agreements made by broker dealers and market makers in the ordinary course of their business and to certain categories of person (such as depositaries and clearance services) who may be liable to stamp duty or SDRT at a higher rate or who may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

No UK stamp duty or SDRT will be payable on the issue of New Ordinary Shares pursuant to the Offer, other than as explained below.

Dealings in New Ordinary Shares will generally be subject to stamp duty or SDRT in the normal way. An instrument effecting the transfer on sale of New Ordinary Shares will generally be liable to stamp duty at the rate of 0.5 per cent. (rounded up, if necessary, to the nearest multiple of £5) of the amount or value of the consideration payable. However, where the amount or value of the consideration is £1,000 or less, and provided that the transfer does not form part of a larger transaction or series of transactions where the combined consideration exceeds £1,000, such instrument should generally be exempt from charge upon certification of such facts.

An unconditional agreement to transfer New Ordinary Shares will generally be liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable, but such liability will be cancelled, or a right to a repayment (generally, but not necessarily, with interest) in respect of the payment of such SDRT liability will arise, if the agreement is completed by a duly stamped or exempt transfer within six years of the agreement having become unconditional. Stamp duty and SDRT are normally the liability of the purchaser.

Subject to certain exemptions, a charge to stamp duty or SDRT will arise on the transfer of New Ordinary Shares to a person providing a clearance service, its nominee or agent, or to an issuer of depositary receipts, its nominee or agent, where that transfer is not an integral part of an issue of share capital. The rate of stamp duty or SDRT, as the case may be, in such circumstances will generally be 1.5 per cent. of the amount or value of the consideration for the transfer or, in some circumstances, the value of the New Ordinary Shares concerned, in the case of stamp duty rounded up, if necessary, to the nearest multiple of £5.

No stamp duty or SDRT will arise on a transfer of New Ordinary Shares into the CREST system provided that the transfer is not for money or money's worth. Paperless transfers of New Ordinary Shares within CREST are liable to SDRT (at a rate of 0.5 per cent. of the amount or value of the consideration payable) rather than stamp duty, and SDRT arising on the agreement to transfer New Ordinary Shares under relevant transactions settled within the system or reported through it for regulatory purposes will generally be collected by CREST.

## PART VIII

### ADDITIONAL INFORMATION

#### 1 RESPONSIBILITY STATEMENT

The Existing Directors and the Proposed Directors, whose names appear on page 8 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Existing Directors, the Proposed Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of that information.

#### 2 INCORPORATION AND STATUS OF THE COMPANY

- 2.1 The current legal and commercial name of the Company is Equatorial Palm Oil plc.
- 2.2 The Company was incorporated as a public limited company in England and Wales on 6 September 2005 with the name Tari Resources Plc with registered company number 05555087. On 27 September 2005, the Company changed its names to Nardina Resources Plc and then subsequently changed its name to Equatorial Biofuels Plc on 15 November 2006 before changing its names to Equatorial Palm Oil Plc on 2 May 2008.
- 2.3 The liability of the members of the Company is limited to the amount, if any, unpaid on their Ordinary Shares.
- 2.4 The principal legislation under which the Company was incorporated was the Companies Act 1985. The Company has subsequently adopted articles of association pursuant to the Companies Act 2006. Accordingly, the Company the principal legislation under which the Company now operates is the Companies Act 2006 and the regulations made thereunder.
- 2.5 The registered office of the Company is at 6<sup>th</sup> Floor, 60 Gracechurch Street, London, EC3V 0HR. The Company's website which discloses the information required by Rule 26 of the AIM Rules is [www.epoil.co.uk](http://www.epoil.co.uk). The Company's telephone number is +44 (0) 207 317 6800.
- 2.6 Details of the Directors and their respective functions in the Company are set out on page 8 of this Admission Document under the heading 'Directors, Secretary and Advisers'. Each of the Directors can be contacted at the registered office of the Company as set out on page 8.
- 2.7 The ISIN of the Ordinary Shares is currently GB00B2QBNL29 and the Ordinary Shares are in registered form and capable of being held either on a certificated or an uncertificated basis. The Company's LEI Code is 213800RR4MW1ETEMS859. Following the Share Consolidation, the ISIN will be changed to GB00BMF75608.
- 2.8 The accounting reference date of the Company is 30 September. It is proposed to change the accounting reference date to 31 March following Admission.

#### 3 THE SUBSIDIARIES

- 3.1 The Company acts as the holding company of the Group.
- 3.2 As at the date of this Admission Document, the Company has one subsidiary, Equatorial Biofuels (Guernsey) Limited ("**EBGL**") which is incorporated in Guernsey under company number 46120 and whose registered office is at 4<sup>th</sup> Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey. EBGL has an issued share capital of 2 ordinary shares of £1.00 each and all of those shares are held by Trident Nominees (No.1) Limited and Trident Nominees (No.2) Limited (the "**Trident Nominees**"). The EBGL shares are held by these nominees on trust for the Company. EBGL does not have any employees, nor does it own any assets. Accordingly, the Company is in the process of liquidating EBGL and the only liabilities that it has are to the Trident Nominees in respect of termination and liquidation fees and therefore the liquidation shall be solvent and at no loss to creditors.

Following completion of the Acquisition, the Company Group will have the following subsidiaries:

Name	Country of Incorporation	Company Number	Parent Company	Share Capital held	Principal Activities
Capital Metals Limited	British Virgin Islands	1890161	the Company	Between 75% 100%	Holding company
Equatorial Biofuels (Guernsey) Limited	Guernsey	46120	the Company	100%	Dormant – pending liquidation
Brighton Metals Limited	British Virgin Islands	1893384	Capital Metals Limited	100%	Holding company
Redgate Lanka (Private) Limited	Sri Lanka	119784	Brighton Metals Limited	100%	Holding company / Investment
Keynes Investment Lanka (Private) Limited	Sri Lanka	119760	Brighton Metals Limited	100%	Exploration company
Damsila Exports (Private) Limited	Sri Lanka	PV8591	Brighton Metals Limited	4%	Exploration company
	Sri Lanka	PV8591	Redgate Lanka (Private) Limited	96%	Exploration company
Eastern Minerals (Private) Limited	Sri Lanka	PV81273	Brighton Metals Limited	1%	Exploration company
	Sri Lanka	PV81273	Redgate Lanka (Private) Limited	99%	Exploration company

#### 4 SHARE CAPITAL OF THE COMPANY

4.1 The issued share capital of the Company, as at the date of this Admission Document is as follows:

- 456,277,502 Ordinary Shares of 0.01 pence each
- 356,277,502 Deferred Shares of 0.99 pence each

4.2 The issued share capital of the Company as at Admission (following the issue of the Placing Shares and the Consideration Shares (assuming the Company acquires 100 per cent. of CML) and completion of the Share Consolidation) (including the issuance of 18 new Ordinary Shares immediately prior to such Share Consolidation) will be as follows:

- 172,188,875 Ordinary Shares of 0.20 pence each
- 356,277,502 Deferred Shares of 0.99 pence each

4.3 In the period covered by the historical financial information and to the date of this Admission Document, the Company has:

4.3.1 completed a sub-division of its ordinary shares whereby it sub-divided each issued ordinary share of 1 pence each into 1 new ordinary share of 0.01 pence each and 1 new deferred share of 0.99 pence each; and

4.3.2 issued 100,000,000 Ordinary Shares. All of these Ordinary Shares were issued on 9 September 2020 at a subscription price of 0.4 pence per Ordinary Share raising aggregate gross proceeds of £400,000. Otherwise, in the period covered by the historical financial information, the Company has not issued any Ordinary Shares.

- 4.4 By way of resolutions proposed to be passed at the General Meeting:
- 4.4.1 subject to approval by shareholders of the Acquisition, the Directors will be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the “Act”) to exercise all powers of the Company to allot and issue shares of the Company and to grant rights to subscribe for or to convert any equity into shares of the Company (together “Rights”) up to a maximum nominal value of:
- £34,750.00 in relation to the Placing and Subscription;
  - £264,000.00 in relation to the Consideration Shares;
  - £34,437.78 in relation to the Share Option Plan;
  - £34,389.36 in relation to the Warrants; and
  - £114,792.00 to be used following Admission as the directors see fit, provided that this authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) on 11 January 2021 or the date of the Company’s next Annual General Meeting, whichever is the sooner, except that the Company may before such expiry make offers or agreements which would or might require Rights to be allotted or granted after such expiry and the directors may allot or grant Rights in pursuance of such offer or agreement as if the authority conferred by this Resolution had not expired, and this authority shall be in substitution for all existing authorities to allot equity securities but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.
- 4.4.2 subject to the passing of the resolutions referred to in paragraph 4.4.1 of this Part VIII of this document, the Directors will be empowered pursuant to Section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred on them by the Rights as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £34,437.78, with such authority, unless otherwise renewed, varied or revoked by the Company, to expire on the date of the Company’s first annual general meeting following Admission, save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by the resolution has expired.
- 4.4.3 subject to the approval by the shareholders of the Acquisition, that the Share Consolidation be completed.
- 4.5 The provisions of Section 561(1) of the 2006 Act (which, to the extent not disapplied pursuant to Section 571 of the 2006 Act), confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the authorised but unissued share capital of the Company except to the extent disapplied as described in paragraph 4.4.2 above. Subject to certain limited exceptions, unless the approval of shareholders in general meeting is obtained in advance, the Company must normally offer Ordinary Shares to be issued for cash to holders of Existing Ordinary Shares on a *pro rata* basis.
- 4.6 The New Ordinary Shares in issue following Admission will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the Ordinary Share capital.
- 4.7 No Ordinary Shares are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 4.8 Save as disclosed in this Admission Document:
- 4.8.1 no share or loan capital of the Company has been issued or is proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;

4.8.2 no share or loan capital of the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option; and

4.8.3 no commission, discounts, brokerage or other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company.

## 5 **ARTICLES OF ASSOCIATION**

5.1 The following is a description of the rights attaching to the Ordinary Shares based on the Company's Articles of Association (the "**Articles**") and English law. This description does not purport to be complete and is qualified in its entirety by the full terms of the Articles.

### 5.1.1 **Limited liability**

The liability of the members of the Company is limited to the amount, if any, unpaid on the shares in the Company held by them.

### 5.1.2 **Voting**

Subject to disenfranchisement in the event of:

- (a) non-payment of calls or other monies due and payable in respect of Ordinary Shares; or
- (b) non-compliance with a statutory notice requiring disclosure as to beneficial ownership of Ordinary Shares,

and, without prejudice to any special rights or restrictions as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles, on a show of hands every holder of Ordinary Shares who is present in person (including by corporate representative) and every proxy present who has been duly appointed to vote on the resolution shall have one vote, and on a poll every shareholder who is present in person (including by corporate representative) and every proxy present who has been duly appointed to vote on the resolution shall have one vote for every Ordinary Share held.

The Deferred Shares shall not provide the holders thereof any entitlement to attend or vote at any general meeting of the Company.

### 5.1.3 **Dividends**

The Company may by Ordinary Resolution declare dividends, but no dividend shall exceed the amount recommended by the Directors. The holders of Deferred Shares shall have priority in relation to dividends to the extent of £1.00 in aggregate across all Deferred Shares and such payment may be satisfied by being made to just one holder of Deferred Shares. Except insofar as the rights attaching to, or the terms of issue of, any shares otherwise provide (in particular, in relation to the Deferred Shares), all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid on the Ordinary Shares during any portion or portions of the period in respect of which the dividend is paid. If in the Directors' opinion the profits of the Company justify such payments, the Directors may pay interim dividends of such amounts and on such dates and in respect of such periods as they think fit. Any dividend unclaimed after a period of 12 years from the date it became due for payment shall be forfeited and shall revert to the Company.

### 5.1.4 **Transferability of Ordinary Shares**

All transfers of shares which are in certificated form may be affected by transfer in writing in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer shall be executed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. All transfers of shares which are in uncertificated form may be affected in accordance with the CREST Regulations.

The Directors may, in the case of shares in certificated form, in their absolute discretion refuse to register any transfer of shares not being fully-paid shares and they may also decline to register the transfer of a share upon which the Company has a lien, provided that any such refusal does not prevent dealings in partly-paid shares from taking place on an open and proper basis. In addition, the Directors may, subject to the CREST Regulations, refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly.

The Directors may decline to recognise any instrument of transfer relating to shares in certificated form unless the instrument of transfer is duly stamped, is in respect of only one class of share and is lodged at the Company's registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (or if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so).

#### **5.1.5 Variation of rights**

Where the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provision of the 2006 Act, be varied or abrogated either with the written consent of the holders of three-fourths in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up. At every such general meeting the necessary quorum shall be two or more persons holding or representing by proxy (which proxies are authorised to exercise voting rights) not less than one-third in nominal value of the issued shares of the class (excluding any shares of that class held in treasury) (but so that at an adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum).

#### **5.1.6 Changes in capital**

Subject to the 2006 Act and to any special rights previously conferred on the holders of any shares or class of shares, the Company may issue redeemable shares. Subject to the provisions of the 2006 Act and to any special rights previously conferred on the holders of any existing shares, any share may be classified and issued with such preferred, deferred or other special rights or subject to such restrictions as the Company may determine by ordinary resolution (or, in the absence of any such determination, as the Directors determine). The Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of a larger amount and sub-divide its shares, or any of them, into shares of a smaller amount (subject to the provisions of the 2006 Act).

Subject to the provisions of the 2006 Act, the Company may reduce its share capital, or any capital redemption reserve, share premium account or other undistributable reserve in any manner. The Company may also, subject to the requirements of the 2006 Act, purchase its own shares (including any redeemable shares).

#### **5.1.7 Untraced Shareholders**

Subject to the 2006 Act, the Company may sell any shares of a member or the shares of a person entitled thereto who is untraceable, if during a period of 12 years, at least three dividends in respect of the shares in question have become payable and the cheques or warrants for all amounts payable to such member or person in respect of his shares have remained uncashed or mandated dividend payments have failed and the Company has received no communication from such member or person. The net proceeds of sale shall belong to the Company but the member or person who had been entitled to the shares shall become a creditor of the Company in respect of those proceeds.

If on three consecutive occasions notices sent to a member have been returned undelivered, such member shall not thereafter be entitled to receive notices from the Company until he shall have communicated with the Company and supplied in writing to the Company's registered office a new registered address or a postal address within the United Kingdom for

the service of notices or shall have informed the Company, in such manner as may be specified by the Company, of an address for the service of notices by electronic communication.

#### **5.1.8 Non-UK Shareholders**

There are no limitations in the Articles on the rights of non-UK shareholders to hold, or exercise voting rights attaching to, Ordinary Shares. However, no shareholder is entitled to receive notices from the Company (whether electronically or otherwise), including notices of general meetings, unless he has given a postal address in the UK or an address for the service of notices by electronic communication to the Company to which such notices may be sent.

#### **5.1.9 Annual General Meetings**

An annual general meeting shall be held once in every year, at such time and place as may be determined by the Directors. An annual general meeting shall be called by not less than 21 clear days' written notice.

#### **5.1.10 Extraordinary General Meetings**

The Directors may, whenever they think fit, and in accordance with the 2006 Act, convene an extraordinary general meeting. The Directors must convene one on the requisition of members under the 2006 Act and, if it fails to do so within the time allowed, any of the requisitionists may convene the meeting. An extraordinary general meeting of the Company shall be called by notice of at least such length as is required in the circumstances by the 2006 Act and, in particular, an extraordinary general meeting, other than an annual general meeting, may be called by notice of not less than 14 clear days' notice.

#### **5.1.11 Return of Capital**

On a winding up or other return of capital, the holders of Deferred Shares shall have priority in relation to distributions to the extent of £1.00 in aggregate across all Deferred Shares and such payment may be satisfied by being made to just one holder of Deferred Shares. Otherwise, the holders of Ordinary Shares are entitled *pari passu* amongst themselves, in proportion to the number of shares held by them and to the amounts paid up or credited as paid up thereon, to share in the whole of any surplus assets of the Company remaining after the discharge of its liabilities.

#### **5.1.12 Pre-emption Rights**

There are no rights of pre-emption under the Articles of the Company in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the 2006 Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

#### **5.1.13 Sanctions on Shareholders**

A member loses his rights to vote in respect of his shares if and for so long as he or any other person appearing to be interested in those shares fails to comply with a request by the Company under the 2006 Act requiring him to give particulars of any interest in those Ordinary Shares within 14 days. In the case of shareholdings representing 0.25 per cent. or more of the issued shares of the class concerned, the sanctions which may be applied by the Company include not only disenfranchisement but also the withholding of the right to receive payment of dividends and other monies payable on, and restrictions on transfers of, the shares concerned.

#### **5.1.14 Directors**

Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not be subject to any maximum but shall be not less than two. Directors may be appointed by the Company by ordinary resolution or by the Board

#### **5.1.15 Directors' Fees**

The Directors (other than those holding executive office with the Company or any subsidiary of the Company) shall be entitled to remuneration for their services in such amount as the Directors may determine, not exceeding in aggregate £200,000 per annum (or such higher amount as the Company may by ordinary resolution determine). In addition, any Directors who are resident outside the UK and not holding full-time salaried employment in the Company or any subsidiary of the Company, may be paid such extra remuneration as the Directors may determine. Any Director who holds executive office or who serves on any committee, or who otherwise performs services outside the ordinary duties of a Director, may be paid such remuneration or extra remuneration by way of salary, commission or otherwise as the Directors may determine.

The Directors may also be paid all such reasonable expenses as they may incur in attending and returning from meetings of the Company or of the Directors or any Committee or otherwise in or about the business of the Company or the proper exercise of their duties.

The Company may also fund a Director's expenditure (and that of a director of any subsidiary) for the purposes permitted under the 2006 Act and may do anything to enable a Director (or a director of any subsidiary) to avoid incurring such expenditure as provided in the 2006 Act.

#### **5.1.16 Proceedings of Directors**

The Directors may decide when and where to hold board meetings. The quorum for a board meeting is two Directors. Questions arising at any meeting of the Directors shall be determined by a majority of votes and in the case of equality of votes, the Chairman of that meeting shall have a second or casting vote (unless the Chairman is not entitled to vote on the resolution).

#### **5.1.17 Directors' Conflicts of Interest**

A Director must declare to the other Directors any situation in which he has, or could have, a direct or indirect interest that conflicts, or possibly might conflict, with the interests of the Company unless it relates to a contract, transaction or arrangement with the Company or the matter has been authorised by the Directors or the situation cannot reasonably be regarded as likely to give rise to a conflict of interest.

The Directors may (subject to such terms and conditions, if any, as they may think fit to impose from time to time, and subject always to their right to vary or terminate such authorisation) authorise, to the fullest extent permitted by law:

- (a) any matter which would otherwise result in a Director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest (including a conflict of interest and duty or conflict of duties);
- (b) a Director to accept or continue in any office, employment or position in addition to his office as a Director of the Company and may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises,

provided that for this purpose the Director in question and any other interested Director are not counted in the quorum at any board meeting at which such matter, or such office, employment or position, is approved and it is agreed to without their voting or would have been agreed to if their votes had not been counted.

A Director shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any matter, or from any office, employment or position, which has been approved by the Directors (subject in any such case to any limits or conditions to which such approval was subject).

#### **5.1.18 Votes and Directors' Interests**

A Director who is in any way, whether directly or indirectly, interested in a proposed or existing contract, transaction or arrangement with the Company must declare the nature and extent of that interest to the other Directors unless it cannot reasonably be regarded as likely to give rise to a conflict of interest.

A Director shall not vote, and shall not be counted in a quorum, in respect of any contract, transaction, arrangement or any other proposal in which he has an interest which (together with any interest of any person connected with him) is to his knowledge a material interest (otherwise than by virtue of shares or debentures or other securities of or otherwise in or through the Company), except that this prohibition shall not apply to:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any contract or arrangement by a Director to participate in the underwriting or sub-underwriting of any offer of shares, debentures or other securities of the Company or any of its subsidiaries for subscription, purchase or exchange;
- (d) any contract or arrangement concerning any other company in which the Director and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the 2006 Act) representing one per cent or more of either any class of the equity share capital, or the voting rights, in such company. For the purpose of this paragraph, there shall be disregarded any shares held by a Director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the Director's interest is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder;
- (e) any arrangement for the benefit of Directors or employees of the Company or any directors or employees of its subsidiaries which does not award him any privilege or benefit not generally awarded to the other persons to whom such arrangement relates;
- (f) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of *inter alia* any Directors of the Company,

and the Company may by ordinary resolution suspend or relax any such prohibitions or ratify any transaction not duly authorised by reason of a contravention of a prohibition.

#### **5.1.19 Retirement**

At each annual general meeting of the Company any Director who has been appointed since the previous annual general meeting or for whom it is the third annual general meeting following the annual general meeting at which he was elected or last re-elected shall retire from office. A retiring Director shall be eligible for re-election.

#### **5.1.20 Executive Office**

The Directors may from time to time appoint one or more Directors to be the holder of any executive office on such terms and for such period as they determine.

### 5.1.21 Borrowing Powers

The Articles provide that the aggregate amount for the time being remaining outstanding of all moneys borrowed by the Group and for the time being owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to the greater of £5,000,000 or four times the Adjusted Capital and Reserves calculated in accordance with the Articles.

## 6 OTHER REGULATORY MATTERS

### 6.1 Disclosure of interests in shares

As the Company is a public company incorporated in England and Wales whose shares are admitted to trading on AIM, pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules, a Shareholder is required to notify the Company of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below 3% and then each 1% threshold thereafter until it reaches 100%.

Pursuant to Part 22 of the 2006 Act and the Articles, the Company is empowered by notice in writing to require any person whom the Company knows, or has reasonable cause to believe to be interested in, or, at any time during the three years immediately preceding the date on which the notice is issued, to have been so interested in, the Company's shares, within a prescribed period to disclose to the Company particulars of any interests, rights, agreements or arrangements affecting any of the shares held by that person. Where the Company has issued such a notice and the recipient has failed to give the Company the information so required, the recipient shall not be entitled to be present or vote at any general meeting of the Company and, if the shares held by such recipient represent at least 0.25 per cent. of the Company's issued share capital, the Company can withhold dividend payments.

### 6.2 City Code, squeeze-out and sell-out provisions

#### 6.2.1 City Code

The City Code on Takeovers and Mergers ("**City Code**") applies to all companies which have their registered office in the United Kingdom, Channel Islands or Isle of Man and whose securities are traded on a regulated market in the United Kingdom or a stock exchange in the Channel Islands or Isle of Man or a multilateral trading facility (such as AIM). Accordingly, the City Code applies to the Company.

Under Rule 9 of the City Code, if an acquisition (whether by a series of transactions over a period of time or not) of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties, if any) would be required, except with the consent of the Panel, to make a general offer for the Ordinary Shares not already owned by the acquirer and its concert parties.

Similarly, this requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties, if any) Ordinary Shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by that person and its concert parties.

An offer under Rule 9 must be in cash or be accompanied by a cash alternative and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in Ordinary Shares during the 12 months prior to the announcement of the offer.

Under the City Code, a concert party arises where persons, pursuant to an agreement or understanding (whether informal or formal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. **Control** means an interest, or interests, in shares carrying 30 per cent. or more of the voting rights of a company, irrespective of whether the holding or holdings give *de facto* control.

### 6.2.2 Squeeze-Out

Pursuant to sections 979 to 982 of the 2006 Act, where an offeror has, by way of a takeover offer (as defined in section 974 of the 2006 Act), acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which an offer relates and where the shares to which the offer relates represent not less than 90 per cent. of the voting rights in the company to which the offer relates, the offeror may issue a compulsory acquisition notice to the holder of any shares to which the offer relates which the offeror has not acquired or unconditionally contracted to acquire, and which he wishes to acquire, to acquire those shares on the same terms as the general offer.

### 6.2.3 Acquisition of shares from minority holders

The BVI Business Companies Act 2004 (the **BCA**) provides a statutory process whereby the holder(s) of 90% plus of the votes of the issued shares (the **Majority Shareholders**) can squeeze out the holders of 10% or less (the **Minority Shareholders**). After the Company has received a direction from the Majority Shareholders to redeem the Minority Shareholders, the Company is obligated to carry out that redemption process (which begins with notifying the Minority Shareholders that they are being squeezed out and the price and manner of that squeeze out, the **Squeeze Out Notice**). Unless the squeeze-out is procedurally invalid, Minority Shareholders cannot prevent their shares being redeemed. However, they are entitled to dissent and dispute the price (the **Redemption Price**) being paid to them by the Company for their shares as the BCA does entitle them to receipt of fair value for their shares. Should the Minority Shareholders dispute the Redemption Price then, failing agreement between the Minority Shareholder and the company, a statutory appraisal process must be followed for purposes of the determination of the fair value of their shares (the **Appraisal Process**). During the Appraisal Process, the rights of the Minority Shareholders are restricted to (a) their right to receive fair value for the shares redeemed and (b) the right to institute proceedings to obtain relief on the ground that the squeeze-out is illegal.

### 6.2.4 Sell-out

Pursuant to sections 983 and 985 of the 2006 Act, where an offeror makes a takeover offer (as defined in section 974 of the 2006 Act) and, by virtue of acceptances of the offer and any other acquisitions, holds or has agreed to acquire not less than 90 per cent. of the shares in the target (or if the offer relates to a class of shares, 90 per cent. of the shares in that class) which carry not less than 90 per cent. of the voting rights in the target, then a minority shareholder who has not accepted the offer may require the offeror to acquire his shares in the target on the same terms as the general offer with the Articles.

## 7 INTERESTS OF THE DIRECTORS

7.1 The interests (all of which are beneficial unless otherwise stated) of the Existing Directors, the Proposed Directors and their immediate families and the persons connected with them (within the meaning of section 252 of the 2006 Act) in the issued share capital of the Company or the existence of which could, with reasonable diligence, be ascertained by any Director as at the date of this Admission Document and as expected to be immediately following Admission are as follows:

Name	NUMBER OF EXISTING ORDINARY SHARES AT THE DATE OF THIS DOCUMENT	% OF EXISTING ORDINARY SHARE CAPITAL	NUMBER OF NEW ORDINARY SHARES ON ADMISSION <sup>6</sup>	% OF ENLARGED ISSUED ORDINARY SHARE CAPITAL <sup>6</sup>
Michael Frayne	2,165,000 <sup>1</sup>	0.5%	13,056,672 <sup>2</sup>	7.58%
Geoffrey Brown	528,957	0.1%	26,447	0.02%
Gregory Martyr	—	—	4,582,746 <sup>3</sup>	2.66%
Anthony Samaha	2,016,667 <sup>4</sup>	0.4%	347,881 <sup>4</sup>	0.20%
James Leahy	1,100,000 <sup>5</sup>	0.2%	55,000 <sup>5</sup>	0.03%
Teh Kwan Wey	—	—	—	—

7.2 Save as disclosed above, and in paragraph 13.27 of this Part VIII of this document, none of the Existing Directors or Proposed Directors (nor persons connected with such persons within the meaning of section 252 of the 2006 Act) has any interest, whether beneficial or non-beneficial, in any share or loan capital of the Company.

7.3 There are no outstanding loans granted or guarantees provided by the Company or any member of the Enlarged Group to or for the benefit of any of the Existing Directors or Proposed Directors.

7.4 Save as disclosed above, and save as otherwise disclosed in this Admission Document, no Existing Director or Proposed Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or under-performed.

7.5 None of the Existing Directors, nor Proposed Directors, nor any person connected with them (within the meaning of section 252 of the 2006 Act) is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or a fixed odds bet).

## 8 DIRECTORS' AND SENIOR MANAGEMENT'S SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

### 8.1 Executive Directors

Under an executive service agreement dated 23 December 2020 between the Company and Mr Michael Frayne, from and subject to Admission, Mr Frayne is employed as Chief Executive Officer of the Company and is paid a salary of £150,000 per annum (plus expenses reasonably incurred by him in the course of his duties). Mr Frayne is required to devote such time, attention and ability as is needed to enable him to carry out his duties to the Company as Chief Executive Officer. His appointment shall (unless terminated earlier due to poor performance or gross misconduct or other material breach of duties) continue unless

<sup>1</sup> these shares are held via Luna Nominees

<sup>2</sup> 8,843,047 of these shares will be held by Chulu Holdings Pty Ltd ATF The Chulu Trust, and 3,000,000 by Mrs Kate Frayne, Mr Frayne's spouse.

<sup>3</sup> held via Hogans Bluff Capital Pty Ltd.

<sup>4</sup> 166,667 of the Existing Ordinary Shares are held by San Tannos Pty Limited and 1,850,000 of the Existing Shares are held via Interactive Investor Nominee; following Admission 8,333 of the New Ordinary Shares will be held by San Tannos Pty Limited, 92,500 via Interactive Investor Nominee, 185,286 by Santannos Limited and 61,762 in Mr Samaha's own name.

<sup>5</sup> held via HSBC Global Nominees.

<sup>6</sup> assuming 100 per cent. of CML Shares are acquired by the Company.

and until terminated by either party on six (6) months' notice in writing. Mr Frayne's service agreement contains non-compete, non-solicitation and no-conflict restrictions on Mr Frayne commensurate with his position as Chief Executive Officer.

Under an executive service agreement dated 23 December 2020 between the Company and Mr Anthony Samaha, from and subject to Admission, Mr Samaha will be employed as Finance Director of the Company and will be paid a salary of £50,000 per annum (plus expenses reasonably incurred by him in the course of his duties). Mr Samaha is required to devote such time, attention and ability as is needed to enable him to carry out his duties to the Company as Finance Director. His appointment shall (unless terminated earlier due to poor performance or gross misconduct or other material breach of duties) continue unless and until terminated by either party on (3) months' notice in writing. Mr Samaha's service agreement contains non-compete, non-solicitation and no-conflict restrictions on Mr Samaha commensurate with his position as Finance Director.

## 8.2 Non-Executive Directors

Mr Gregory Martyr entered into a letter of appointment with the Company on 23 December 2020 to act as a non-executive chairman of the Company from and subject to Admission. Mr Martyr's appointment will commence on the Admission Date and is terminable at any time on three months' written notice on either side. Mr Martyr is entitled to a fee of £38,400 per annum and is required to devote such of his time, attention and ability to his duties as may be necessary or desirable for the proper and effective discharge of all of his functions and responsibilities.

Mr Geoffrey Brown entered into a letter of appointment with the Company on 23 December 2020 to act as a non-executive director of the Company from and subject to Admission. Mr Brown was first appointed as a executive director of the Company on 6 March 2008 and subject to Admission, his appointment shall be terminable at any time on three months' written notice on either side. Mr Brown is entitled to a fee of £15,000 per annum and is required to devote such of his time, attention and ability to his duties as may be necessary or desirable for the proper and effective discharge of all of his functions and responsibilities.

Mr James Leahy entered into a letter of appointment with the Company on 23 December 2020 to act as a non-executive director of the Company from and subject to Admission. Mr Leahy's appointment will commence on the date of Admission and is terminable at any time on three months' written notice on either side. Mr Leahy is entitled to a fee of £24,000 per annum and is required to devote such of his time, attention and ability to his duties as may be necessary or desirable for the proper and effective discharge of all of his functions and responsibilities.

Mr Teh Kwan Wey entered into a letter of appointment with the Company on 3 September 2020 to act as a non-executive director of the Company. Mr Teh's appointment commenced on 3 September 2020 and, subject to Admission, is terminable at any time on one months' written notice on either side. Mr Teh is entitled to a fee of £15,000 per annum and is required to devote such of his time, attention and ability to his duties as may be necessary or desirable for the proper and effective discharge of all of his functions and responsibilities.

- 8.3 Save as disclosed above, there are no service contracts in existence or proposed between any Director and the Company or any company in the Group.
- 8.4 The aggregate remuneration and benefits in kind, paid by the Company to the directors in office in respect of the year ended 30 September 2019 was \$186,000. It is estimated that under the arrangements currently in force at the date of this Admission Document, the aggregate remuneration payable and benefits in kind to be granted to the Existing Directors and Proposed Directors for the financial year ended 30 September 2020 by the Company was \$131,000.

## 8.5 Senior Management

Mr Iranga Dunuwille entered into a service contract with DEL which shall be effective from 1 November 2020. Mr Dunuwille acts as the Country Manager of the CML Group's operations in Sri Lanka. His appointment shall be for an initial period of 12 months' and may be terminated on 1 months' notice. The appointment may be extended at the discretion of DEL. Mr Dunuwille is entitled to fees of US\$5,000 per month and is required to devote such of his time as is necessary to complete tasks for which he is responsible.

## 9 ADDITIONAL INFORMATION ON THE DIRECTORS

9.1 The names of all companies (excluding the Company and current Group Companies) and partnerships of which the Existing Directors and Proposed Directors have been a director or partner at any time in the five years preceding the date of this Admission Document and indicating whether they are current or past are set out below:

### **Michael Julian Frayne**

#### *Current directorships and partnerships*

Capital Metals Limited  
Arwon Capital (UK) Limited  
Cosmic Radiant Investment Limited  
Redgate Lanka (Pvt) Limited  
Keynes Investments (Pvt) Limited  
Damsila Exports (Pvt) Limited  
Eastern Minerals (Pvt) Limited  
Brighton Metals Limited  
Chulu Holdings Pty Ltd ATF The Chulu Trust

#### *Former directorships and partnerships*

APNG Pte Ltd  
Arwon International Pte Ltd  
Arwon Pacific Pte Ltd  
Liberian Palm Developments Limited  
Libinc Oil Palm Inc  
Liberian Forest Products Inc  
Liberian Agricultural Development Corporation  
Equatorial Palm Oil (Liberia) Inc

### **Geoffrey Edward Martyn Brown**

#### *Current directorships and partnerships*

—

#### *Former directorships and partnerships*

Liberian Palm Developments Limited  
Libinc Oil Palm Inc  
Liberian Forest Products Inc  
Liberian Agricultural Development Corporation  
Equatorial Palm Oil (Liberia) Inc

### **Gregory Pentland Martyr**

#### *Current directorships and partnerships*

Capital Metals Limited  
Euro Manganese Inc.  
Carbon Dynamics Group Pty Ltd  
Hogan's Bluff Capital Pty Ltd  
Carbon Quantized Pty Ltd  
Hogan's Bluff Nursery Pty Ltd  
Clean Barrow Pty Ltd

#### *Former directorships and partnerships*

Warpforge Limited  
Mis.Carbonart Pty Ltd.

### **Anthony John Samaha**

#### *Current directorships and partnerships*

Capital Metals Limited  
Reabold Resources plc  
Inspirit Energy Holdings Plc  
Santannos Limited  
Innaloo Landowner Pty Ltd  
Murdoch 1907 Pty Ltd  
San Tannos Pty Ltd  
Samaha Nominees Pty Ltd

#### *Former directorships and partnerships*

TS Samaha Pty Ltd  
LGC Finance Limited  
LGC Capital EU OU  
AfriAg International Limited  
AfriAg Global Plc  
LGC Capital Limited (now Elixer Ltd)  
Cuba Professional Inc  
LGC Capital Spain SLU

### **James Gerald Leahy**

#### *Current directorships and partnerships*

Geiger Counter Ltd  
Savannah Resources Plc  
Active Energy Group Plc

#### *Former directorships and partnerships*

Energy Minerals Mexico Limited  
Energy Minerals Investments Ltd  
Bacanora Minerals Ltd  
Bacanora Minerals (London) Ltd

Zinnwald Lithium Ltd  
Fine and Dandy Musicals Ltd  
The Skinners' Almshouse Charity  
Light Shearwater LLP  
Chairman of Governors at the Judd School  
Tonbridge School

**Teh Kwan Wey**

*Current directorships and partnerships*  
Agro Putra Pte Ltd  
FKW Global Commodities (Pvt) Limited  
KL-Kepong Rubber Products Sdn. Bhd.  
Malaysia Pakistan Venture Sdn. Bhd.  
MAPAK Edible Oils (Private) Ltd  
MAPAK Qasim Bulkiers (Pte) Ltd  
MEO Trading Sdn. Bhd.  
Stolthaven (Westport) Sdn. Bhd.  
Taiko Plantations Pte Ltd  
Tecsun Sdn Bhd  
Caruso Greenvale Pty Ltd  
Caruso Epping Pty Ltd  
Riverlee Caruso Epping Pty Ltd  
Caruso Australia Ventures Pty Ltd  
Vivaldi Victoria Pty Ltd

*Former directorships and partnerships*  
KLK Premier Oils Sdn. Bhd.

9.2 Mr Samaha was a non-executive director of Lobster Harvest Ltd, an Australian unlisted aquaculture R&D company, from 21 April 2007 to 24 February 2014. A voluntary liquidator was appointed on 23 March 2014. Unsecured creditors, representing primarily the company's largest shareholder, were not repaid.

Save as disclosed, none of the Directors has:

9.2.1 any unspent convictions in relation to indictable offences;

9.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;

9.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director;

9.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

9.2.5 been the owner of any asset which has been placed into receivership or been a partner in any partnership which had an asset placed into receivership whilst he was a partner of that partnership or within 12 months after he ceased to be a partner of that partnership;

9.2.6 been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies); or

9.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

9.3 Save as disclosed in this Admission Document, none of the Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.

- 9.4 Each of the Directors has given an undertaking not to dispose of any of their Ordinary Shares, save in certain specified circumstances, for the period of 12 months from the date of Admission.
- 9.5 No loans made or guarantees granted or provided by the Company or any Company in the Group to or for the benefit of any Director are outstanding.

## 10 SIGNIFICANT SHAREHOLDERS

- 10.1 Save as disclosed in sub-paragraph 7.1 above the Company is only aware of the following persons who, at the date of this Admission Document, represent an interest (within the meaning of Rule 5 of the Disclosure Guidance and Transparency Rules) directly or indirectly in three per cent. or more of the Company's issued share capital or could exercise control over the Company:

Shareholder	No. of Existing Ordinary Shares	Percentage of current issued ordinary share capital
KI-Kepong International Ltd	223,959,702	49.08%
Spreadex Limited	34,530,703	7.57%
The Bank Of New York (Nominees) Limited	26,500,000	5.81%
InterTrader Limited	22,180,502	4.86%
Vestra Nominees Limited	21,242,628	4.66%
Vidacos Nominees Limited	15,331,750	3.36%

- 10.2 Save as disclosed in paragraph 7.1 above, immediately following Admission, the following persons will have an interest, directly or indirectly, in at least three per cent. of the voting rights attached to the Company's issued shares. Such persons will be required to notify such interests to the Company in accordance with the provisions of Chapter 5 of the Disclosure Guidance and Transparency Rules, and such interests will be notified by the Company to the public:

Shareholder	No. of Ordinary Shares	Percentage of Enlarged Issued Ordinary Share Capital
Brent Holdings Limited	24,793,095	14.40%
Roman Resources Management Pty Ltd	14,423,869	8.38%
Stanton Investments Ltd <sup>1</sup>	12,676,670	7.36%
Bart Properties Pty Ltd ATF The Scott Flynn Family Trust	5,496,409	3.19%

<sup>1</sup>Stanton Investments Limited is beneficially owned by Sandy Barblett, General Manager of the Company. Mr Barblett owns a further 9,861 shares held in his own name.

- 10.3 None of the Directors, Senior Managers nor any persons named in sub-paragraph, 10.1 or 10.2 above has voting rights which are different to any other holder of Ordinary Shares.

## 11 EMPLOYEES

- 11.1 The number of employees employed in the Company for each of the last three financial years was as follows:

	For the year ended 30 September		
	2019	2018	2017
Average number of employees, including directors	7	7	7

11.2 The number of employees employed in CML for each of the last three financial years was as follows:

	<b>For the year ended 31 March</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Average number of employees, including directors	8	9	15

## 12 OPTIONS AND WARRANTS

### 12.1 *Company Options*

The Company intends to grant the following options to current Directors and key management of the Company, subject to Admission (the “**New Options**”):

<b>Name of Option Holder</b>	<b>Number of Options</b>	<b>Date of Grant</b>	<b>Expiry of Option Period</b>	<b>Exercise Price (pence)</b>
Michael Frayne	3,000,000	13 January 2021	13 January 2026	12
Anthony Samaha	1,500,000	13 January 2021	13 January 2026	12
Gregory Martyr	1,500,000	13 January 2021	13 January 2026	12
James Leahy	1,500,000	13 January 2021	13 January 2026	12
Teh Kwan Wey	500,000	13 January 2021	13 January 2026	12
Geoffrey Brown	500,000	13 January 2021	13 January 2026	12
Iranga Dunuwille	1,500,000	13 January 2021	13 January 2026	12
Roshan Akther	500,000	13 January 2021	13 January 2026	12
Rashmika Kothalawala	250,000	13 January 2021	13 January 2026	12
Sam Quinn	1,000,000	13 January 2021	13 January 2026	12

Save as set out above, the Company does not currently have any share options in issue at present.

### **Share Option Plan**

The Company intends to grant options to subscribe for new Ordinary Shares from time to time to incentivise directors, employees and consultants at the discretion of the Directors and subject to the approval of the Remuneration Committee. Options granted to subscribe for new Ordinary Shares in this manner will be over approximately 10 per cent. of the Company’s issued Shares from time to time in line with market standard practices (the “**Share Option Plan**”). The terms of such options shall be determined at the time of grant including any relevant vesting and performance conditions.

## 12.2 Warrants

At present, there are Broker Warrants outstanding over 5 million Ordinary Shares (of 0.01p) with an exercise price of 0.4 pence per share. Following the Share Consolidation, this will be 250,000 Broker Warrants with an exercise price of 8 pence per share.

In connection with the Acquisition, the Company has agreed, subject to Admission, to issue the following Bondholder Warrants at an exercise price of 18 pence to CML Vendors that acquired their CML Shares pursuant to the conversion of their Bonds:

<b>CML Vendor</b>	<b>Number of Bondholder Warrants</b>	<b>Date of Grant</b>	<b>Expiry of Exercise Period</b>
One Design & Skiff Sails Pty Ltd ATF I			
W Brown Superannuation Fund	666,666	13 January 2021	13 January 2024
Kemosabe Capital Pty Ltd	640,527	13 January 2021	13 January 2024
Magnus (Aust) Pty Ltd ATF	283,332	13 January 2021	13 January 2024
RAMK Ltd	208,332	13 January 2021	13 January 2024
Robert Millner	208,332	13 January 2021	13 January 2024
Bruce Warrington Holman	141,666	13 January 2021	13 January 2024
918 Investments	141,666	13 January 2021	13 January 2024
Holegata Pty Ltd,			
Holegata S/F A/C	83,333	13 January 2021	13 January 2024
Carpadeum Pty Ltd	49,998	13 January 2021	13 January 2024
	<u>2,423,848</u>		

In addition, Adviser Warrants over 833,333 Ordinary Shares, with an exercise price of 12 pence per share will be issued to Brandon Hill in relation to the Placing, details of which are set out in paragraph 13.14 of Part VIII of this Admission Document.

With effect from Admission, the following Adviser Warrants shall be issued by the Company:

<b>Adviser</b>	<b>Number of Warrants</b>	<b>Date of Grant</b>	<b>Expiry of Exercise Period</b>	<b>Exercise Price (pence)</b>
Brandon Hill	833,333	13 January 2021	13 January 2024	12

In connection with the September Placing, the September Placees agreed to commit a further amount of £400,000 in the Placing and a condition of such commitment was that the September Placees would, at the time of the Placing and conditional on Admission, be issued Placing Warrants over 5,000,000 Ordinary Shares (after the Share Consolidation) with an exercise price of 8 pence per Ordinary Share. The following Placing Warrants will be issued to the following September Placees with effect from Admission:

<b>September Placee</b>	<b>Number of Warrants</b>	<b>Date of Grant</b>	<b>Expiry of Warrant Period</b>	<b>Exercise Price (pence)</b>
Spreadex Limited	1,875,000	13 January 2021	13 January 2024	8
InterTrader Limited	2,500,000	13 January 2021	13 January 2024	8
Optiva	625,000	13 January 2021	13 January 2024	8

In aggregate, Placing Warrants over 8,687,499 shares will be issued to Placees (8,333,333) and Subscribers (354,166). These Placing Warrants have an exercise price of 15.6 pence per share and exercise period of 2 years from the date of Admission.

### 13 MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries within the period of two years immediately preceding the date of this Admission Document or were entered into prior to this but contain provisions which are, or may be, material:

#### ***Documents entered into by the Company or its Subsidiaries other than in relation to the Acquisition***

##### 13.1 *Sale and Purchase Agreement dated 18 May 2020*

On 18 May 2020, the Company and EBGL entered into a sale and purchase agreement with KLK Agro Plantations Pte Ltd ("**KLK Agro**") and KLK pursuant to which KLK Agro agreed to acquire 7,500,000 ordinary shares of \$1 each in the capital of Liberian Palm Developments Limited ("**LPD**") from EBGL. The sale of the LPD shares was subject to the approval of the Company's shareholders and practical completion took place on or around 9 June 2020. The consideration payable for the acquisition was £1. Pursuant to the agreement, each of the Company, KLK Agro and LPD agreed to enter into a deed of novation regarding debts owed by LPD to the Company. The Company (as warrantor) provided usual warranties to KLK Agro regarding title, capacity and commercial matters. In addition, the Company also provided a tax indemnity to KLK Agro. The agreement is governed by the laws of England and Wales.

##### 13.2 *Deed of Novation dated 10 June 2020*

On 10 June 2020, the Company and EBGL entered into a deed of novation with KLK Agro and KLK pursuant to which KLK agreed to acquire all rights, title, interest and benefits in and to (i) the debts owed by LPD to the Company in the sum of US\$6,223,964.60 (the "**LPD Debt**") and (ii) the loan agreement dated 7 November 2013 between LPD and the Company. Pursuant to the deed of novation, KLK Agro agreed to indemnify the Company and its officers, employees or agents after the date of novation if losses, damages or costs are suffered by the Company as a result of the Debt. The indemnity does not extend to losses suffered as a result of gross negligence or wilful misconduct of EPO or any of its officers, employees or agents. The deed of novation is governed by the laws of England and Wales.

##### 13.3 *September 2020 Placing*

The Company entered into:

- An engagement letter dated 19 August 2020; and
- A placing agreement dated 19 August 2020,

in each case, with Brandon Hill in relation to the appointment of Brandon Hill as broker in relation to a placing to raise a gross amount of £400,000. The engagement letter and placing agreement contains customary warranties and indemnities given in favour of Brandon Hill by the Company. The Ordinary Shares were issued in respect of this placing on 9 September 2020.

Each of the participants in the September 2020 placing (the "**September Placees**") agreed to a further commitment of £400,000 in aggregate (the "**Further Commitment**"). Completion of the Further Commitment is conditional upon the satisfaction of the conditions contained in the placing agreement including but not limited to completion of the placing and the Company undertaking either: (1) an acquisition or acquisitions which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies ("**Re-Admission**")), or (2) the Company seeking to become an investing company pursuant to AIM Rule 8, which requires, *inter alia*, the raising of at least £6 million and the publication of an admission document (either being a "**Re-Admission Transaction**") within six months of 10 June 2020.

Pursuant to the Further Commitment, the September Placees agreed to subscribe for such number of new Ordinary Shares in the Company which is equal to the Further Commitment divided by the price of the new Ordinary Shares pursuant to the Placing.

In addition, September Placees participating in the Placing are to be granted the Placing Warrants (the terms of which are explained in paragraph 12.2 of Part VIII of this document).

#### 13.4 *Brandon Hill Warrant Instrument*

In connection with the placing referred to at paragraph 13.3 above, the Company entered into a warrant instrument with Brandon Hill on 8 September 2020 pursuant to which the Company issued warrants to subscribe for up to 5,000,000 Ordinary Shares in favour of Brandon Hill at an exercise price of 0.4 pence per Ordinary Share ("**Broker Warrants**"). Following the Share Consolidation, the Broker Warrants shall be in respect of 250,000 Ordinary Shares with an exercise price of 8 pence per Ordinary Share. The Broker Warrants will expire 3 years from the date of Admission. It is expected that the Broker Warrants will remain unexercised at Admission.

#### ***Documents entered into by the Company and/or Capital Metals in relation to the Acquisition***

##### 13.5 *Offer Letter sent by the Company to CML*

On 16 October 2020, the Company sent an offer letter ("**Offer Letter**") to CML communicating the Offer. The letter specified that in consideration for the acquisition of the CML Shares, the Company proposed to issue 1.235 Consideration Shares for every 1 CML Share sold. In addition, CML Bondholders shall receive 1 Bondholder Warrant for every Consideration Share to be issued to them (having converted their CML Bonds into CML Shares). The Offer specifies that completion of the Acquisition is conditional, amongst other things, on the passing of the Resolutions and the Placing and Admission becoming effective on or before 31 March 2021. Completion of the Offer is also conditional on acceptances being received from the holders of CML Shares holding more than 75 per cent. of all of the issued CML Shares.

In addition, the offer letter had appended to it the form of Offer Letters to be sent by CML to CML Shareholders as well as the form of Acceptance Form to be included with the Offer Letters and explained the proposed process for carrying out the Acquisition, including the proposal that the CML Majority be approached in the first instance.

##### 13.6 *Offer Letter sent by CML to the CML Majority and to be sent to the CML Minority*

On 16 October 2020, Capital Metals Limited sent an offer letter ("**Offer Letter**") to each of the CML Majority (comprising CML Shareholders holding 51.4 per cent. of the issued shares of CML) communicating an offer from the Company to acquire their CML Shares (the "**Offer**"). The Offer Letters specified that in consideration for the acquisition of the CML Shares, the Company proposed to issue 1.235 Consideration Shares for every 1 CML Share sold. In addition, CML Bondholders shall receive 1 Bondholder Warrant for every Consideration Share to be issued to them (having converted their CML Bonds into CML Shares). The Offer specifies that completion of the Acquisition is conditional, amongst other things, on the passing of the Resolutions and the Placing and Admission becoming effective on or before 31 March 2021. Completion of the Offer is also conditional on acceptances being received from the holders of CML Shares holding more than 75 per cent. of all of the issued CML Shares.

A CML Shareholder accepting the offer (a "**CML Vendor**") will be required to provide usual title and capacity warranties and the Company will also give title and capacity warranties to them. If a CML Vendor wishes to accept the Offer they should return a signed acceptance form to CML which is appended to with the Offer Letter ("**Acceptance Form**"). Contained within the Acceptance Form is a power of attorney pursuant to which a CML Vendor will appoint Capital Metals as their attorney to take all reasonable and necessary actions on their behalf in order to give effect to the Offer and to complete the Acquisition. This includes authority to execute the Acquisition Agreement and instruments of transfer on their behalf.

By accepting the Offer, the CML Vendors (other than the CML Bondholders and those entering into Lock-in Agreements) will undertake to the Company that they will not dispose of any interest they hold in the Consideration Shares for a period of months following Admission.

As at the date of this document, each of the CML Majority have accepted the Offer and returned executed Acceptance Forms to Capital Metals. Immediately following the publishing of this document, Capital Metals Limited will send Offer Letters to the remaining

CML Shareholders (the “**CML Minority**”). The Offer shall remain open until the date falling two Business Days prior to the General Meeting, albeit that this offer period may be extended by mutual agreement between the Company and Capital Metals Limited.

In the event that the Offer is accepted by all CML Shareholders, the Company will acquire all of the issued CML Shares and will in turn issue an aggregate amount of 132,000,000 Consideration Shares to satisfy a total consideration payable of £15.84 million.

13.7 *Acquisition Agreement entered into between: (1) the Company and (2) the CML Majority*

On 20 October 2020 the Company and the CML Majority acting by Capital Metals as their attorney executed a conditional sale and purchase agreement (the “**CML Majority Acquisition Agreement**”) setting out the terms of the Acquisition as provided for in the Offer Letter and Acceptance Forms. The CML Majority Acquisition Agreement specifies that upon the satisfaction of certain conditions, including Admission and the passing of the Resolutions, the Company will acquire all of the CML Shares held by the CML Majority from them. It also includes appropriate mechanics for completion of the Acquisition.

The consideration payable by the Company will be an amount equal to £0.09716 for each CML Share acquired by the Company to be satisfied by the issuance of 1.235 Consideration Share for every 1 CML Share acquired resulting in the issuance of 67,830,719 Consideration Shares, such Consideration Shares amounting to a consideration of £8,139,686. In addition, CML Bondholders shall receive 1 Bondholder Warrant for every Consideration Share to be issued to them (having converted their CML Bonds into CML Shares).

The CML Majority Acquisition Agreement contains title and capacity warranties to be given by the CML Majority to the Company, and by the Company to the CML Majority, in each case in the same manner as specified in the Offer Letter. The Acquisition Agreement is governed by the laws of England and Wales.

13.8 *Acquisition Agreement to be entered into between: (1) the Company and (2) the CML Minority*

On the date falling 2 Business Days prior to the General Meeting, the Company the CML Minority, acting by Capital Metals as their attorney will execute a conditional sale and purchase agreement (the “**CML Minority Acquisition Agreement**”) setting out the terms of the Acquisition as provided for in the Offer Letter and Acceptance Forms. The CML Minority Acquisition Agreement specifies that upon the satisfaction of certain conditions, including Admission and the passing of the Resolutions, the Company will acquire all of the CML Shares held by the CML Minority from them. It also includes appropriate mechanics for completion of the Acquisition.

The consideration payable by the Company will be an amount equal to £0.09716 for each CML Share acquired by the Company to be satisfied by the issuance of 1.235 Consideration Shares for every 1 CML Share acquired, with up to 64,169,281 Consideration Shares to be issued amounting to a consideration of £7,700,313 (in the event that all of the CML Minority accept the Offer). In addition, CML Bondholders shall receive 1 Bondholder Warrant for every Consideration Share to be issued to them (having converted their CML Bonds into CML Shares). In addition, CML Bondholders shall receive 1 Bondholder Warrant for every Consideration Share to be issued to them (having converted their CML Bonds into CML Shares). The total consideration payable, number of Consideration Shares to be issued and number of CML Shares to be acquired will not be determined until the date falling two Business Days prior to the General Meeting, immediate prior to the CML Minority Acquisition Agreement being entered into.

The Acquisition Agreement contains title and capacity warranties to be given by the CML Minority to the Company, and by the Company to the CML Vendors, in each case in the same manner as specified in the Offer Letter. The CML Minority Acquisition Agreement is governed by the laws of England and Wales.

The CML Minority Acquisition Agreement will be in substantially the same form as the CML Majority Acquisition Agreement.

### 13.9 CML Warranty Deed

In connection with the Acquisition, the CML Directors will enter into a warranty deed with the Company pursuant to which they will provide warranties to the Company in connection with the Acquisition relating to the business and assets of Capital Metals. Each of the CML Directors' liability pursuant to the CML Warranty Deed shall be subject to usual limitations including a cap equal to 1.5 times their remuneration to be paid to them by the Company following Admission. The CML Warranty Deed is governed by the laws of England and Wales.

### 13.10 Bondholder Warrants

Pursuant to the terms of a warrant instrument dated 23 December 2020, the Company has issued, conditional on Admission 2,423,848 Bondholder Warrants as set out in paragraph 12.2 of Part VIII of this Admission Document:

### **Documents entered into by the Company in relation to Admission and the Placing**

#### 13.11 *The Placing Agreement between: (1) the Company, (2) the Directors, (3) SPARK Advisory Partners Limited ("SPARK") (4) Brandon Hill*

Pursuant to the Placing Agreement dated 21 December 2020, SPARK, as the Company's nominated adviser, has been granted certain powers and authorities in connection with the application for Admission. Under the terms of the Placing Agreement, the Company and the Directors have given certain customary warranties to SPARK and Brandon Hill. The Company has given certain customary indemnities and undertakings to SPARK Advisory Partners and Brandon Hill in connection with Admission and other matters relating to the Group and its affairs. SPARK and Brandon Hill may terminate the Placing Agreement in certain specified circumstances prior to Admission, principally if any of the warranties has ceased to be true and accurate in any material respect or shall have become misleading in any respect or in the event of circumstances existing which make it impracticable or inadvisable to proceed with Admission. The liability of the Directors in respect of a breach of the warranties given in the Placing Agreement is limited in time and amount. The Placing Agreement is subject to the satisfaction of a number of conditions, including Admission. Such conditions must be satisfied (or, where possible, waived) by 13 January 2021 (or such later time as may be agreed by the Company, SPARK and Brandon Hill, being not later than 28 February 2021).

#### 13.12 *The Relationship Agreement dated 23 December 2020 between (1) SPARK and (2) the Company and (3) various parties (the "Relationship Agreement")*

The Relationship Agreement pursuant to which each of Michael Frayne, Anthony Samaha, Greg Martyr, Sandy Barblett, Sam Quinn and Anthony Eastman have undertaken, for so long as the Ordinary Shares are admitted to trading on AIM and each of Michael Frayne, Anthony Samaha, Greg Martyr, Sandy Barblett, Sam Quinn and Anthony Eastman (together with their respective associates) continue to hold more than 15 per cent. of the voting rights attaching to the Ordinary Shares in issue from time to time, to procure that, *inter alia*, the Enlarged Group and its business shall be managed for the benefit of shareholders as a whole, any transactions between each of them and a member of the Enlarged Group will be at arm's length, the Board will contain at least two independent directors and certain reserved board matters will only be voted on by the independent directors.

#### 13.13 *Lock-in agreements dated 23 December 2020 between (1) Brent Holdings Ltd, Roman Resources Management Pty Limited, Michael Frayne, Chulu Holdings Pty Ltd ATF The Chulu Trust, Stanton Investments Limited and others, Geoffrey Brown and each of the Proposed Directors (each a "Covenantor"), (2) SPARK (3) Brandon Hill and (4) the Company (the "Lock-in Agreements")*

The Lock-in Agreements pursuant to which each Covenantor has undertaken not to dispose of his interests in any Ordinary Shares, options or warrants over Ordinary Shares at any time prior to the first anniversary of Admission and not, during the following 12 months, to dispose of his interests in any such securities and brokered through Brandon Hill (or the Company's then Broker) to ensure an orderly market basis. These undertakings will not apply in connection with the acceptance of a general offer made in accordance with the Takeover Code resulting in the offeror obtaining control of the Company or a disposal by his personal

representatives following the death of a Covenantor subject to the reasonable requirements of SPARK and Brandon Hill so as to ensure an orderly market or in the event on an intervening court order.

#### 13.14 *Warrants*

Pursuant to the terms of warrant instruments each dated 23 December 2020, the Company has issued, conditional on Admission:

- Adviser Warrants in favour of Brandon Hill over 833,333 Ordinary Shares exercisable by Brandon Hill at the Placing Price during the period from 13 January 2021 and expiring on 13 January 2024; and
- Placing Warrants in favour of the September Placees over 5,000,000 Ordinary Shares exercisable by the September Placees at an exercise price of 8 pence per share during the period from 13 January 2021 to from 13 January 2024.
- Placing Warrants in favour of the Placees and Subscribers over 8,687,499 Ordinary Shares exercisable by Placees and Subscribers at an exercise price of 15.6 pence per share during the period from 13 January 2021 to from 13 January 2023.

#### 13.15 *Nominated Adviser Agreements*

The Company has entered into a nominated adviser agreement dated 26 June 2020 with SPARK, pursuant to which SPARK has agreed to act as nominated adviser to the Company for the purposes of the AIM Rules for a 12 month term following which it may be terminated by one months' written notice given by either party. The agreement contains warranties and undertakings from the Company in favour of SPARK relating to the Company and its financial and trading position. The Company has agreed to pay an annual retainer which is payable quarterly in instalments.

The Company entered into a further engagement letter with SPARK dated 26 June 2020 in relation to SPARK's appointment as nominated adviser in relation to the Acquisition and the Admission. The Company has agreed to pay SPARK a transaction fee, the balance of which shall be payable on Admission.

#### 13.16 *Subscription Agreements*

The Company has entered into subscription agreements with Orana Corporate LLP and Lionshead Consultants Limited ("**the Subscribers**"), services providers to the Company whereby the Subscription Shares will be issued in lieu of fees due to the Subscribers.

#### 13.17 *Brandon Hill engagement letter*

The Company has entered into an engagement letter dated 19 August 2020 with Brandon Hill pursuant to which Brandon Hill has agreed to act as broker in relation to the Placing.

#### ***Documents entered into by Capital Metals Limited or its subsidiaries***

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by Capital Metals Limited or its subsidiaries within the period of two years immediately preceding the date of this Admission Document or were entered into prior to this but contain provisions which are, or may be, material:

#### 13.18 *DEL Introduction Agreement*

On 19 April 2016, BML (a wholly-owned subsidiary of Capital Metals Limited) entered into an agreement with RGD1 pursuant to which RGD1 agreed to terminate a memorandum of understanding that it had entered into with a third party in respect of the sale of DEL (the "**DEL Introduction Agreement**"). The effective date of the DEL Introduction Agreement is 23 December 2015.

As consideration for the termination, BML agreed to pay to RGD1 \$187,000 in cash, and CML Shares to the value of \$750,000 at an issue price of \$0.15 per CML Share (the "**DEL Termination Consideration**"). Furthermore, as consideration for introducing the opportunity to acquire DEL, BML agreed to pay RGD1 the following payments (the "**DEL Introduction Consideration**"):

- \$312,500 of cash and CML Shares to the value of \$562,500 to be delivered to RGD1 within five business days of the completion of a Feasibility Study (which is still pending completion); and
- \$375,000 and CML Shares to the value of \$562,000 to be delivered to RGD1 within five business days of the date of commencement of mining production on a commercial basis on any IML granted over the area of all or part of the Oluvil Project (which is also pending, as mining has not begun).

The terms of the DEL Introduction Agreement, including the consideration payments referenced above, were amended as described in paragraph 13.19 of this Part VIII of this document. The DEL Introduction Agreement is governed by the laws of England.

#### 13.19 *Amendment to the DEL Introduction Agreement*

On 27 June 2016, BML and RGD1 entered into an amendment agreement in respect of the DEL Introduction Agreement, pursuant to which certain terms of the DEL Introduction Agreement were amended. In particular, the DEL Termination Consideration was revised to comprise CML Shares to the value of \$625,000 payable within 14 Business Days after the signing of the Amendment Agreement. The DEL Introduction Consideration was revised to comprise:

- a payment of CML Shares to the value of \$562,500 delivered to RGD1 within five business days of the completion of the Feasibility Study; and
- a payment of CML Shares to the value of \$562,500 deliverable to RGD1 within five business days of the date of commencement of mining production on a commercial basis under the DEL License.

The DEL Introduction Consideration remains outstanding as at the date of this document to be settled by CML as and when the applicable milestones are met. The number of CML Shares to be issued to satisfy the DEL Introduction Consideration cannot be determined at this stage as the issue price of the CML Shares will be at a price per share (i) at which CML Shares were issued in the latest private placement or fundraising prior to such payment date; or (ii) if a third party valuation of CML has been obtained by CML, the price per share determined by that valuation, whichever is higher.

#### 13.20 *DEL Share Sale Agreement*

On 19 April 2016, BML entered into a share sale agreement with the DEL Vendors pursuant to which it acquired the entire issued share capital of DEL (the “**DEL Share Sale Agreement**”). The effective date of the DEL Share Sale Agreement is 23 December 2015. The consideration for the acquisition of the DEL shares comprised of:

- Stage 1: a payment by BML to the DEL Vendors a cash amount of \$187,500;
- Stage 2: a payment by BML to the DEL Vendors comprising a cash amount of \$312,500 within five business days of completion of the Feasibility Study (pending completion); and
- Stage 3: a payment by BML to the DEL Vendors comprising a cash amount of \$375,000 payable within five business days of the date DEL commencing mining production on a commercial basis (pending) on any IML granted pursuant to the DEL License.

The Stage 2 and Stage 3 payments remain outstanding. Any indebtedness owed to the DEL Vendors was waived on completion of the DEL Share Sale Agreement and the DEL Vendors agreed to use all reasonable endeavours to settle additional amounts of \$375,000 owed to other creditors prior to completion of the DEL Share Sale Agreement.

The DEL Share Sale Agreement is governed by the laws of Sri Lanka.

#### 13.21 *Amendment to the DEL Share Sale Agreement*

On 27 June 2016, BML and the DEL Vendors entered into an amendment agreement in respect of the DEL Share Sale Agreement. The provisions regarding the waiver of indebtedness by certain creditors in an amount of \$375,000 were deleted and such indebtedness was assigned to members of the CML Group.

### 13.22 *EML Introduction Agreement*

On 19 April 2016, BML entered into an agreement with RGD1 pursuant to which RGD1 agreed to terminate a memorandum of understanding that it had entered into with a third party in respect of the sale of EML (the “**EML Introduction Agreement**”). The effective date of the EML Introduction Agreement is 23 December 2015.

As consideration for the termination, BML agreed to pay to RGD1 \$187,500 in cash and CML Shares to the value of \$750,000 at an issue price of \$0.15 per CML Share (the “**EML Termination Consideration**”). Furthermore, as consideration for introducing the opportunity to acquire EML, BML agreed to pay RGD1 the following payments (the “**EML Introduction Consideration**”):

- \$312,500 of cash and CML Shares to the value of \$562,500 to be delivered to RGD1 within five business days of the completion of a Feasibility Study (which is still pending completion); and
- \$375,000 and CML Shares to the value of \$562,000 to be delivered to RGD1 within five business days of the date of commencement of mining production on a commercial basis on any IML granted over the area of all or part of the Otuvil Project (which is also pending, as mining has not begun).

The EML Introduction Agreement is governed by the laws of England.

### 13.23 *Amendment to the EML Introduction Agreement*

On 27 June 2016, BML and RGD1 entered into an amendment agreement in respect of the EML Introduction Agreement (the “**EML Amendment Agreement**”), pursuant to which certain terms of the EML Introduction Agreement were amended. In particular, the EML Termination Consideration was revised to comprise CML Shares to the value of \$625,000 payable within 14 Business Days after the signing of the Amendment Agreement. The EML Introduction Consideration was revised to comprise:

- a payment of CML Shares to the value of \$562,500 delivered to RGD1 within five business days of the completion of the Feasibility Study; and
- a payment of CML Shares to the value of \$562,500 deliverable to RGD1 within five business days of the date of commencement of mining production on a commercial basis under the EML License.

The EML Introduction Consideration remains outstanding as at the date of this document to be settled by CML as and when the applicable milestones are met. The number of CML Shares to be issued to satisfy the EML Introduction Consideration cannot be determined at this stage as the issue price of the CML Shares will be at a price per share (i) at which CML Shares were issued in the latest private placement or fundraising prior to such payment date; or (ii) if a third party valuation of CML has been obtained by CML, the price per share determined by that valuation, whichever is higher.

### 13.24 *EML Share Sale Agreement*

On 19 April 2016, BML entered into a share sale agreement with the EML Vendors pursuant to which it acquired the entire issued share capital of EML (the “**EML Share Sale Agreement**”). The effective date of the EML Share Sale Agreement is 23 December 2015. The consideration for the acquisition of the EML shares comprised of:

- Stage 1: a payment by BML to the EML Vendors a cash amount of \$187,500;
- Stage 2: a payment by BML to the EML Vendors comprising a cash amount of \$312,500 within five business days of completion of the Feasibility Study (pending completion); and
- Stage 3: a payment by BML to the EML Vendors comprising a cash amount of \$375,000 payable within five business days of the date DEL commencing mining production on a commercial basis (pending) on any IML granted pursuant to the EML License.

Any indebtedness owed to the EML Vendors was waived on completion of the EML Share Sale Agreement and the EML Vendors agreed to use all reasonable endeavours to settle additional amounts of \$375,000 owed to other creditors prior to completion of the EML Share Sale Agreement.

The EML Share Sale Agreement is governed by the laws of Sri Lanka.

#### 13.25 *Amendment to the EML Share Sale Agreement*

On 27 June 2016, BML and the EML Vendors entered into an amendment agreement in respect of the EML Share Sale Agreement. The amendment removed references to indebtedness of an unspecified amount owing to George Brech Consultants and RGD1 by EML, thereby reinstating it and such indebtedness was assigned to members of the CML Group.

#### 13.26 *Bond Instrument*

On 15 October 2019 Capital Metals Limited executed a convertible bond instrument pursuant to which the Company was authorised to issue up to US\$500,000 bonds, of which the Company issued US\$357,630.25 bonds (“**Bonds**”) for general working capital purposes with effect from 1 January 2020. Interest accrues in respect of the Bonds at the rate of 12 per cent. per annum.

The Bond Instrument provided that the principal amount of the Bonds outstanding were to be converted into CML Shares immediately prior to an initial public offering or takeover of the Company (at such time as the directors of the Company reasonably require conversion to take place in the context of the initial public offering or takeover) at a conversion price equal to the Placing Price less 20 per cent.. Upon conversion, holders of the Bonds could elect to either (i) convert all accrued but unpaid interest into CML Shares at a conversion price equal to the Placing Price less 25 per cent. or (ii) be repaid such interest on Admission.

On 21 November 2020, \$282,630 of the principal amount of the Bonds were converted into 1,906,713 CML Shares together with interest of \$7,718 which converted into 55,540 CML Shares. \$75,000 of the principal amount of the Bonds, and \$33,705 of the interest that accrued in respect of the Bonds, is due to be paid on Admission.

The Bond Instrument is governed by the laws of England and Wales.

#### 13.27 *Loan Agreement*

On 4 October 2019, Capital Metals Limited entered into a loan agreement with Michael Frayne pursuant to which it borrowed AUD 120,000. On 13 October 2020, Capital Metals Limited and Michael Frayne entered into an amendment letter in respect of the loan agreement pursuant to which the amount borrowed was increased from AUD 120,000 to AUD 166,000. Interest accrues in respect of the loans made at the rate of 1% per month which may be paid or accrued monthly. If accrued, the interest will compound on a monthly basis. This loan is to be repaid on Admission. The loan agreement is governed by the laws of England and Wales.

## 14 **RELATED PARTY TRANSACTIONS**

### The Company

Other than as set out in paragraph 3 of Part I and in the following sections of Equatorial Palm Oil plc’s Report & Accounts (which are incorporated by reference in Part IV of this document) there have been no related party transactions in the period since 1 October 2017;

Report & Accounts for year ended 30 September 2020: Note 17 on page 45.

Report & Accounts for year ended 30 September 2019: Note 16 on page 47.

Report & Accounts for year ended 30 September 2018: Note 17 on page 43.

### Capital Metals Limited

Other than as set out in notes 15 and 23 in Part V and paragraph 13.27 of this Part VIII of this Admission Document there have been no related party transactions since 1 January 2017.

## 15 LITIGATION

- 15.1 Save as referred to in paragraph 15.2 of this Part VIII of this document below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened by or against the Group of which the Company is aware) during the 12 months immediately preceding the date of this document which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.
- 15.2 On 18 November 2016 an investment undertaking ("Investment Undertaking") was entered into by certain of CML's shareholders governing their activities as shareholders of CML. The agreement was between Brent Holdings Limited on the one side ("Brent") and Adelise Services Limited (a company beneficially owned by Michael Frayne), Stanton Investments Limited (a company beneficially owned by Sandy Barblett) and Roman Resources Management Pty Ltd (a company owned by Stephen Ross) (together the "Initial Investors") on the other. In connection with the Acquisition, a dispute arose between Brent and the Initial Investors as to the interpretation of the Investment Undertaking. Brent's position regarding the Investment Undertaking is that the Initial Investors, who are all a party to the CML Majority Agreement, were not entitled to participate in the Acquisition without having first served an invitation to "tag" on Brent with a cash offer for their CML Shares, rather than the Consideration Shares. This position is contested by the Initial Investors and, having taken legal advice, the Directors are comfortable that the Initial Investors have not breached the Investment Undertaking. In particular, the Initial Investor's position is that the Investment Undertaking contains provisions entitling the Initial Investors to "drag" Brent into the Acquisition, even where the consideration is to be settled using shares (in this case the Consideration Shares) rather than cash.

Notwithstanding this situation, Brent has accepted the Offer for their CML Shares and it will participate in the Acquisition. However, in correspondence with the Company relating to this situation, Brent has stated that it reserves its rights to bring a claim in tort against, amongst others, the Company. It is the view of the Directors that Brent does not have any valid cause of action against the Company.

## 16 WORKING CAPITAL

In the opinion of the Directors, having made due and careful enquiry, and taking into account the net proceeds of the Placing, the working capital available to the Company and the Enlarged Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of Admission.

## 17 NO SIGNIFICANT CHANGE

- 17.1 There have been no significant changes in the trading or financial position of the Company and its Group since 30 September 2020, being the date to which its last audited accounts were made up.
- 17.2 There have been no significant changes in the trading or financial position of Capital Metals Limited since 31 March 2020, being the date to which its latest audited accounts were made up.

## 18 GENERAL

- 18.1 The gross proceeds of the Placing and Subscription are expected to be £2.085 million.
- 18.2 The total costs and expenses relating to the Acquisition, the Placing and Admission payable by the Company are estimated to be £560k (excluding VAT) with net proceeds expected due the Company to be approximately £1.525 million.
- 18.3 The Placing Shares and Subscription Shares are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement and/or Subscription Agreements. All the Placing Shares have been placed firm with placees. The Placing and Subscriptions are not being guaranteed or underwritten by any person.

- 18.4 Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 28 February 2021, application monies will be returned to the Placees at their risk without interest.
- 18.5 The Placing Price of 12 pence represents a premium of 11.8 pence over the nominal value of 0.20 pence per Ordinary Share (following the Share Consolidation).
- 18.6 PKF has given and not withdrawn its written consent to the inclusion in: (i) Part V of this document of its Accountant's Report on the Historical Financial Information on Capital Metals Limited, and (ii) Part VI of its report on the unaudited *pro forma* statement of net assets of the Enlarged Group and the references to such reports in the form and context in which they are included.
- 18.7 SPARK Advisory Partners Limited has given and not withdrawn its written consent to the inclusion in this Admission Document of reference to its name in the form and context in which it appears.
- 18.8 Brandon Hill Capital Limited has given and not withdrawn its written consent to the inclusion in this Admission Document of reference to its name in the form and context in which it appears.
- 18.9 Optiro Pty Ltd has given and not withdrawn its written consent to the inclusion in this Admission Document of reference to its name in the form and context in which it appears.
- 18.10 The auditors of the Company for the three financial years ended 30 September 2020 were BDO LLP.
- 18.11 The percentage dilution incurred by Existing Shareholders as a result of the issue of the New Ordinary Shares to the extent they do not participate in the Placing and Subscriptions is 86.75 per cent.
- 18.12 The accounting reference date of the Company is 30 September.
- 18.13 It is expected that definitive share certificates will be despatched by hand or first-class post in the week commencing 25 January 2021. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited at 8.00 a.m. on 13 January 2021.
- 18.14 The Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 18.15 Save as disclosed in this Admission Document, there are no patents or other intellectual property rights, Licenses or particular contracts which are or may be of fundamental importance to the Company's business.
- 18.16 Save as disclosed in this Admission Document, the Group has not made any investments since 30 September 2020 up to the date of this Admission Document, nor are there any investments by the Group in progress or anticipated which are significant.
- 18.17 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of shares under CREST. The Company has applied for the issued and to be issued Ordinary Shares to be admitted to CREST and it is expected that the issued and to be issued Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST.
- 18.18 No person directly or indirectly (other than the Company's professional advisers and trade suppliers or as disclosed in this Admission Document) in the last 12 months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise than as disclosed in this Admission Document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value at the Placing Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

18.19 A copy of this document is available in electronic form at the Company's website,  
[www.epoil.co.uk](http://www.epoil.co.uk).

23 December 2020

## Definitions

Except where the context otherwise requires, the following definitions shall apply throughout this Admission Document:

<b>1985 Act</b>	The UK Companies Act 1985;
<b>Acceptance Form</b>	the acceptance form appended to the Offer Letter pursuant to which CML Vendors have, and will, agree to the terms of the Offer and appoint Capital Metals Limited as their attorney to do all things reasonably required to complete the Acquisition;
<b>Act, 2006 Act or the Companies Act</b>	The Companies Act 2006, as amended;
<b>Acquisition</b>	the proposed acquisition by the Company of the entire issued share capital of Capital Metals Limited, pursuant to the terms of the Acquisition Agreement;
<b>Acquisition Agreement(s)</b>	the form of conditional share purchase agreement to be entered into with the CML Majority and the CML Minority in relation to the Acquisition;
<b>Additional IML Applications</b>	the IML applications submitted by DEL to the GSMB in October 2020 over land located within the DEL License area, details of which are included in paragraph 4 of Part I of this document;
<b>Admission</b>	the admission of the Enlarged Issued Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
<b>Admission Document</b>	this document;
<b>Adviser Warrants</b>	warrants over 833,333 Ordinary Shares, with an exercise price of 12 pence per share which have been issued to Brandon Hill, as set out in paragraph 13.14 of Part VIII of this Admission Document;
<b>AIM</b>	the market of that name operated by the London Stock Exchange;
<b>AIM Rules</b>	the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time;
<b>AIM Rules for Nominated Advisers</b>	the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended from time to time;
<b>Articles</b>	the articles of association of the Company as adopted from time to time;
<b>Authorisations</b>	any consent, authorisation, registration, filing, lodgement, notification, agreement, certificate, commission, lease, licence, permit, approval or exemption from, by or with a Governmental Agency;
<b>BML</b>	Brighton Metals Limited, a wholly-owned subsidiary of CML;
<b>Board</b>	the Directors whose names are set out on page 8 of this Admission Document;
<b>Bondholder Warrants</b>	warrants to subscribe for Ordinary Shares issued to certain CML Vendors, details of which are set out in paragraphs 12.2 and 13.10 of Part VIII of this document;
<b>Broker Warrants</b>	the existing warrants to subscribe for 5,000,000 Ordinary Shares (prior to the Share Consolidation) at an exercise price of 0.4 pence (prior to the Share Consolidation) per share;

<b>BVI Business Companies Act</b>	the BVI Business Companies Act 2004 (as amended), being the principal statute of the British Virgin Islands (BVI) relating to BVI law;
<b>Business Day</b>	a day (other than Saturday, Sunday or a public holiday), on which clearing banks in the City of London are generally open for business;
<b>Capital Metals plc</b>	Capital Metals plc, the Enlarged Group's proposed new name;
<b>Capital Metals Limited or CML</b>	Capital Metals Limited, a company registered in the British Virgin Islands;
<b>CCD</b>	the Coast Conservation and Coastal Resources Management Department in Sri Lanka;
<b>certificated or in certificated form</b>	a share or other security not recorded on the relevant register of the relevant company as being in uncertificated form in CREST;
<b>Change of Name</b>	the proposed change of name of the Company to Capital Metals plc, further details of which are set out in paragraph 8 of Part I of this Admission Document;
<b>CML Majority</b>	Roman Resources Management Pty Ltd, Michael Frayne, Adelise Services Limited, Stanton Investments Limited, Bart Properties Pty Ltd ATF The Scott Flynn Family Trust, Hogans Bluff Capital Pty, Anthony Samaha, Sam Quinn, Tournesol Consulting and others being CML Shareholders holding in aggregate 51.4 per cent. of all CML Shares to which Offer Letters have been sent and from whom Acceptance Forms have been received in relation to the Acquisition;
<b>CML Minority</b>	all CML Shareholders other than the CML Majority;
<b>CML Shareholders</b>	the holders of CML Shares;
<b>CML Shares</b>	shares of no-par value in Capital Metals Limited, of which there are 106,861,663 as at the date of this Admission Document;
<b>CML Vendors</b>	CML Shareholders that have returned, and which do return, Acceptance Forms to CML following receipt of an Offer Letter in relation to the Acquisition and who have therefore agreed to sell their CML Shares to the Company pursuant to the Acquisition;
<b>Company or Equatorial Palm Oil</b>	Equatorial Palm Oil plc, a company incorporated and registered in England and Wales, with registered number 5555087, whose registered office is at 6th Floor, 60 Gracechurch Street, London;
<b>Consideration Shares</b>	up to 132,000,000 Ordinary Shares to be issued to the Sellers pursuant to the Acquisition Agreement;
<b>CREST</b>	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear which facilitates the transfer of title to shares;
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended from time to time, and any applicable rules made under those regulations;
<b>Deferred Shares</b>	deferred shares of 0.99 pence each in the capital of the Company;
<b>DEL</b>	Damsila Exports (Private) Limited, a private company incorporated in Sri Lanka which is an indirect wholly-owned subsidiary of CML which holds the DEL License;
<b>DEL Introduction Agreement</b>	the introduction agreement entered into by BML with RGD1 in relation to the introduction of the DEL Vendors to BML, as

	described in paragraphs 13.18 and 13.19 of Part VIII of this document;
<b>DEL License</b>	Exploration License with the number EL/168/R/4;
<b>DEL Share Sale Agreement</b>	the share sale agreement pursuant to which CML acquired its interests in DEL, a summary of which is included at paragraphs 13.20 and 13.21 of Part VIII of this Admission Document;
<b>DEL Vendors</b>	Damsila Kumuduni Dalpatadu, Kosmapatabendige Sarath Palitha Dalpatadu, Kosmapatabendige Radike Samantha Dalpatadu and Kosmapatabendige Sandun Lakmika Dalpatadu, the parties that sold DEL to BML in accordance with the DEL Share Sale Agreement;
<b>Development Study</b>	a report which outlines the strategy to develop and operate the Eastern Minerals Project based on all the technical studies completed to date and will include an economic analysis;
<b>Directors</b>	the Existing Directors and/or the Proposed Directors, as the context requires;
<b>Disclosure Guidance and Transparency Rules</b>	the Disclosure Guidance and Transparency Rules sourcebook made by the FCA pursuant to Part VI of the Listing Rules made by the FCA under FSMA;
<b>EBGL</b>	Equatorial Biofuels (Guernsey) Limited;
<b>EEA</b>	the European Economic Area;
<b>EIA</b>	Environmental Impact Assessment;
<b>EML</b>	Eastern Minerals (Private) Limited, a private company incorporated in Sri Lanka which is an indirect wholly-owned subsidiary of CML which holds the EML License;
<b>EML Introduction Agreement</b>	the introduction agreement entered into by BML with RGD1 in relation to the introduction of the EML Vendors to BML, as described in paragraphs 13.22 and 13.23 of Part VIII of this Admission Document;
<b>EML License</b>	Exploration License with the number EL/199/R/3 (or 4);
<b>EML Share Sale Agreement</b>	the share sale agreement pursuant to which CML acquired its interests in EML, a summary of which is included at paragraphs 13.24 and 13.25 of Part VIII of this Admission Document;
<b>EML Vendors</b>	Damsila Kumuduni Dalpatadu and Kosmapatabendige Sarath Palitha Dalpatadu, the parties that sold EML to BML in accordance with the EML Share Sale Agreement;
<b>EMP or Project</b>	Eastern Minerals Project;
<b>Enlarged Group</b>	the Company and its Group as it will be constituted following completion of the Acquisition;
<b>Enlarged Issued Ordinary Share Capital</b>	the issued ordinary share capital of the Company upon Admission comprising the New Ordinary Shares;
<b>EU</b>	the European Union;
<b>Euroclear</b>	Euroclear UK & Ireland Limited, the operator of CREST;
<b>Existing Directors</b>	the directors listed on page 8 of this Admission Document;
<b>Existing Ordinary Shares</b>	the 456,277,502 Ordinary Shares in issue as at the date of this Admission Document;

<b>Existing Warrants</b>	the Broker Warrantss;
<b>Exploration License or EL</b>	an Exploration License that grants the holder thereof the exclusive right to explore for all mineral categories authorised by the license granted;
<b>FCA</b>	the Financial Conduct Authority;
<b>Feasibility Study</b>	namely all necessary studies undertaken (including without limitation as to mine plan, engineering and environmental matters); all Authorisations required including government, community and landowner consents obtained; and the conversion of all or any part of the exploration licences EL/199/R/3 (or 4) and EL/168/R/4 to Industrial Mining Licences;
<b>First IML Application</b>	the first IML application submitted by DEL to the GSMB on 28 April 2014, details of which are included in paragraph 4 of Part I of this document;
<b>FPO</b>	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended;
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto;
<b>GBP or £ or pence or p</b>	pounds sterling and pence, the lawful currency from time to time of the United Kingdom;
<b>General Meeting</b>	the general meeting of the Company to be held on 11 January 2021 at which the Resolutions will be proposed;
<b>Group</b>	the Company including its subsidiary undertakings;
<b>GSMB</b>	the Geographical Survey and Mines Bureau of Sri Lanka under the Mines and Minerals Act of Sri Lanka;
<b>HMRC</b>	Her Majesty's Revenue and Customs;
<b>Independent Directors</b>	Geoffrey Brown and Teh Kwan Wey;
<b>IFRS</b>	international financial reporting standards;
<b>Industrial Mining License or IML</b>	a license which grants exclusive right to explore for, mine, process and trade in all minerals mined within the area of a specified license;
<b>IML Applications</b>	the First IML Application and the Additional IML Applications;
<b>ISIN</b>	international security identification number;
<b>KLK</b>	Kuala Lumpur Kepong Berhad, currently a substantial shareholder in the Company;
<b>LEI code</b>	legal entity identifier code;
<b>Lock-in Agreement(s)</b>	the lock-in and orderly marketing agreement(s) dated 23 December 2020 and made between the Company, and the Locked-in Parties, details of which are set out in paragraph 13.13 of Part VIII of this Admission Document;
<b>Locked-in Parties</b>	Greg Martyr, Hogans Bluffs Capital Pty Limited, Anthony Samaha, San Tannos Pty Limited, Santannos Limited, Michael Frayne, Kate Frayne, Geoffrey Brown, James Leahy, Chulu Holdings Pty Ltd ATF The Chulu Trust, Alexander Barblett, Stanton Investments Limited, Brent Holdings Limited and Roman Resources Management Pty Limited;
<b>London Stock Exchange</b>	London Stock Exchange plc;
<b>Market Abuse Regulation</b>	the EU Market Abuse Regulation (No. 596/2014);

<b>Mines and Minerals Act</b>	the Mines & Minerals Act No. 33 of 1992 as amended which is an Act to provide for the establishment of the Geological Survey and Mines Bureau to regulate the exploration for, mining, transportation, processing, trading in or export of minerals, for the transfer to such Bureau of the functions of the Department of Geological Survey; for the repeal of the Salt Ordinance (Chapter 211), the Radio Active Minerals Act, No. 46 of 1968 and the Mines and Minerals Law, No. 4 of 1973; and to provide for matters connected therewith or incidental thereto;
<b>New Options</b>	the new options in respect of Ordinary Shares to be granted by the Company with effect from Admission, particulars of which are set out in paragraph 12.1 of Part VIII of this Admission Document;
<b>New Ordinary Shares</b>	the new Ordinary Shares of 0.20 pence each, comprising the Existing Ordinary Shares following the Share Consolidation, the Consideration Shares, the Subscription Shares and the Placing Shares;
<b>Nominated Adviser Agreements</b>	the agreements dated 26 June 2020 between (1) the Company and (2) SPARK, further details of which are set out in paragraph 13.15 of Part VIII of this Admission Document;
<b>Offer</b>	the offer communicated, and to be communicated, to all holders of CML Shares to acquire their interests in CML, in consideration for which the Consideration Shares will be issued;
<b>Offer Letter(s)</b>	the offer letter(s) sent to CML Majority, and to be sent to the CML Minority, communicating the Offer of the Company to acquire their CML Shares;
<b>Ordinary Shares</b>	ordinary shares of 0.01 pence each in the capital of the Company, or, following the Share Consolidation, ordinary shares of 0.20 pence each in the capital of the Company;
<b>Placees</b>	proposed subscribers for Placing Shares at the Placing Price in the Placing;
<b>Placing</b>	the proposed conditional placing of the Placing Shares at the Placing Price with Placees pursuant to the Placing Agreement;
<b>Placing Agreement</b>	the conditional agreement dated 21 December 2020 between (1) the Company, (2) SPARK, (3) Brandon Hill and (4) the Directors relating to the Placing, further details of which are set out in paragraph 13.11 of Part VIII of this Admission Document;
<b>Placing Price or Issue Price</b>	12 pence per Placing Share;
<b>Placing Shares</b>	the 16,666,666 New Ordinary Shares to be issued pursuant to the Placing;
<b>Placing Warrants</b>	warrants over (i) 5,000,000 Ordinary Shares with an exercise price of 8 pence per share issued to the September Placees, and (ii) 8,687,499 Ordinary Shares with an exercise price of 15.6 pence per share (being a 30 per cent. premium to the Placing Price) to be issued to the Placees and Subscribers details of which are set out in paragraph 13.14 of Part VIII of this document;
<b>Project Licenses</b>	the DEL License and the EML License;
<b>Proposals</b>	the Acquisition, the Change of Name, the Share Consolidation and the Placing;
<b>Proposed Directors</b>	Mr Gregory Martyr, Mr James Leahy and Mr Anthony Samaha;
<b>Prospectus Regulation Rules</b>	the Prospectus Rules of the FCA made in accordance with the Prospectus Regulation;

<b>QCA Code</b>	the Corporate Governance Code for Small and Mid-Size Quoted Companies, as published by the Quoted Companies Alliance;
<b>Record Date</b>	the record date for the Share Consolidation, being 6.00 p.m. on 11 January 2021;
<b>Registrar</b>	Share Registrars Limited of The Courtyard, 17 West Street, Surrey GU9 7DR;
<b>Relationship Agreement</b>	the agreement dated 23 December 2020 between (1) the Company, (2) SPARK and (3) various Shareholders, (further details of which are set out in paragraph 13.12 of Part VIII of this Admission Document);
<b>Resolutions</b>	the resolutions proposed at the General Meeting;
<b>RGD1</b>	RGD1 Resources Limited (a company incorporated in Hong Kong (CIN 1434714) of 3908 Two Exchange Square, 8 Connaught Place, Central, Hong Kong SAR China);
<b>SEDOL</b>	the Stock Exchange Daily Official List Identification Number;
<b>Sellers</b>	the selling shareholders of Capital Metals Limited;
<b>September Placee</b>	a placee that subscribed for Ordinary Shares pursuant to the September Placing, details of which are set out in paragraph 12.2 of Part VIII of this document;
<b>September Placing</b>	the placing completed by the Company in September 2020 to raise a gross amount of £400,000;
<b>Share Consolidation</b>	the proposed consolidation of the Company's ordinary share capital pursuant to which each 20 Existing Ordinary Shares of 0.01 pence are consolidated into 1 New Ordinary Share of 0.20 pence each;
<b>Shareholders</b>	holders of Ordinary Shares in the Company from time to time;
<b>Share Option Plan</b>	the option plan intended to be adopted by the Company following Admission as summarised in paragraph 12.1 of Part VIII of this document;
<b>Subscribers</b>	the parties who have confirmed their agreement to participate in the Subscription via the Subscription Agreements;
<b>Subscription Agreements</b>	the conditional agreements dated 23 December 2020, details of which are set out in paragraph 13.16 of Part VIII of this Admission Document;
<b>Subscription(s)</b>	the conditional subscriptions for the Subscription Shares by the Subscribers;
<b>Subscription Shares</b>	the 708,333 New Ordinary Shares to be allotted and issued by the Company to the Subscribers at the Placing Price pursuant to the Subscription;
<b>UDA</b>	Urban Development Authority;
<b>uncertificated or in uncertificated form</b>	a share or other security recorded on the relevant register of the relevant company concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
<b>United Kingdom or UK</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>USA or US or United States</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
<b>VAT</b>	value added tax; and

**Warrants**

together the Existing Warrants, the Bondholder Warrants, the Placing Warrants and the Adviser Warrants.

## Glossary of Industry Terms

<b>Amphibolite</b>	a rock composed largely of amphibole and other similar minerals;
<b>Cenozoic</b>	the most recent of the three classic geological eras;
<b>Complex</b>	a unit of rocks composed of rocks of two or three metamorphic, igneous or sedimentary rock types;
<b>Basalt</b>	a fine-grained igneous rock consisting mostly of plagioclase feldspar and pyroxene;
<b>Bedrock</b>	the solid rock lying beneath superficial material such as gravel or soil;
<b>Classification</b>	a system for reporting Mineral Resources and Ore Reserves according to a number of accepted Codes;
<b>Cut-Off Grade</b>	the grade that differentiates between mineralised material that is economic or not to mine;
<b>Diamond Drilling</b>	a drilling method which produces a cylindrical core of rock by drilling with a diamond tipped bit;
<b>Felsic</b>	silicate minerals, magmas, and rocks which are enriched in the lighter elements such as silica, oxygen, aluminium, sodium, and potassium;
<b>Formation</b>	a defined interval of strata, often comprising similar rock types;
<b>Garnet</b>	a group of silicate minerals that share a common crystal structure but vary in composition;
<b>Gneiss</b>	a common and widely distributed type of rock formed by high-grade regional metamorphic processes from pre-existing formations that were originally either igneous or sedimentary rocks. Gneissic rocks are coarsely foliated and largely recrystallised;
<b>Granite</b>	a coarse grained intrusive felsic igneous rock;
<b>Granitoid</b>	a common and widely occurring type of intrusive, felsic, igneous rock;
<b>Granulite Facies</b>	high-grade metamorphic rocks that have experienced high-temperature and moderate-pressure metamorphism;
<b>Ilmenite</b>	a titanium-iron oxide mineral with the idealized formula $FeTiO_3$ ;
<b>Indicated Mineral Resource</b>	'an 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.' (JORC 2012);
<b>Inferred Mineral Resource</b>	'an 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.' (JORC 2012);
<b>Intercept</b>	mineralised intersection in a borehole;

<b>Intrusive</b>	a rock formed when magma cools slowly below the Earth's surface;
<b>JORC Code</b>	the JORC Code provides minimum standards for public reporting to ensure that investors and their advisers have all the information they would reasonably require for forming a reliable opinion on the results and estimates being reported. The current version is dated 2012;
<b>Leucoxene</b>	a weathering product of ilmenite where weathering has removed a proportion of the iron content of the ilmenite;
<b>Measured Mineral Resource</b>	'a 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered.' (JORC 2012) metallurgy Study of the physical properties of metals as affected by composition, mechanical working and heat treatment;
<b>Mineral Resource</b>	'a 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.' (JORC 2012);
<b>Mineralisation</b>	the process by which a mineral or minerals are introduced into a rock, resulting in a valuable deposit;
<b>Monazite</b>	a phosphate mineral with a typical chemical composition of (Ce,La,Nd,Th) (PO <sub>4</sub> ,SiO <sub>4</sub> );
<b>Mt</b>	million tonnes;
<b>Mullock</b>	waste rock;
<b>Palaeochannel</b>	remnant of an inactive river or stream channel that has been filled or buried by younger sediment;
<b>Orthogneiss</b>	a metaigneous rock with a gneissic structure; a gneiss formed by the metamorphism of an igneous rock;
<b>Palaeodrainage</b>	a drainage channel that was cut by a stream or river but is no longer used by that river;
<b>Peneplain</b>	a generally level land surface produced by erosion over a long period, undisturbed by crustal movement;
<b>Pleistocene</b>	geological epoch (10,000 to 2.6 Ma) following the Pliocene;
<b>Precambrian Rocks</b>	older than the Cambrian age;
<b>Proterozoic Era</b>	of the geological time scale within the Precambrian eon containing rocks of approximately 1,000 – 2,500 million years old;

<b>QEMSCAN</b>	quantitative Evaluation of Minerals by Scanning electron microscopy. An automated, rapid and accurate method for mineralogical analysis;
<b>Quartz Crystalline</b>	silica (SiO <sub>2</sub> );
<b>Quaternary</b>	a geological period comprising the Pleistocene (2.588 Ma to 11.7 thousand years ago) and the Holocene (11.7 thousand years ago to today);
<b>Saprolite</b>	a soft, typically clay-rich, thoroughly decomposed rock, formed in place by chemical weathering of igneous, sedimentary and metamorphic rocks;
<b>Sediments</b>	loose, unconsolidated deposit of debris that accumulates on the Earth's surface;
<b>Sillimanite</b>	an aluminosilicate mineral with the chemical formula Al <sub>2</sub> SiO <sub>5</sub> ;
<b>THM</b>	Total Heavy Mineral;
<b>Ultramafic</b>	igneous rocks with very low silica content (less than 45%), generally >18% MgO, high FeO, low potassium and are composed of usually greater than 90% mafic minerals;
<b>Vein</b>	a tabular or sheet like body of one or more minerals deposited in openings of fissures, joints, or faults;
<b>VHM</b>	Valuable Heavy Mineral;
<b>Volcaniclastic</b>	relating to or denoting a clastic rock which contains volcanic material;
<b>XRF analysis</b>	a method of elemental and chemical analysis using the emission of characteristic secondary (or fluorescent) X-rays from a material that has been excited by bombarding with high-energy X-rays or gamma rays; and
<b>Zircon</b>	a nesosilicates mineral, zirconium silicate with a chemical formula ZrSiO <sub>4</sub> .

## Notice of General Meeting

### Equatorial Palm Oil Group PLC (the “Company”)

*(Registered and incorporated in in England and Wales with company number 05555087)*

**NOTICE IS HEREBY GIVEN** that a general meeting of the shareholders of the Company will be held at 10.00 a.m. on 11 January 2021 at the offices of Hill Dickinson, The Broadgate Tower, 20 Primrose Street, London E14 4HD for the purposes of considering and, if thought fit, passing the following resolutions (the “**Resolutions**”) which in the case of Resolutions 1 to 6 will be proposed as ordinary resolutions and in the case of Resolutions 7 and 8 will be proposed as special resolutions.

Words and expressions used or defined in the admission document dated 23 December 2020 (the “**Admission Document**”) and despatched to shareholders of the Company, of which this notice forms part of, shall have the same meaning in this notice unless otherwise defined in this notice or the context requires otherwise.

#### **Ordinary Resolutions**

1. **THAT**, the proposed acquisition by the Company of the entire issued share capital of Capital Metals Limited, which comprises a reverse takeover pursuant to Rule 14 of the AIM Rules (the “Acquisition”) on the terms and subject to the conditions of the sale and purchase agreement dated 23 December 2020 (the “**Acquisition Agreement**”) between the Company and the shareholders of Capital Metals Limited be and is hereby approved with such revisions and amendments (including as to price) of a non-material nature as may be approved by the directors of the Company (the “**Existing Directors**”) or any duly authorised committee thereof, and that all acts, agreements, arrangements and indemnities which the Existing Directors or any such committee consider necessary or desirable for the purpose of or in connection with the Acquisition be and are hereby approved.
2. **THAT**, subject to and conditional upon the passing of Resolution 1, Gregory Martyr, having consented to act, be appointed as a director of the Company with effect from admission of the consideration shares to be issued pursuant to the Acquisition Agreement to trading on the AIM market of the London Stock Exchange (“**Admission**”).
3. **THAT**, subject to and conditional upon the passing of Resolution 1, Anthony Samaha, having consented to act, be appointed as a director of the Company with effect from Admission.
4. **THAT**, subject to and conditional upon the passing of Resolution 1, James Leahy, having consented to act, be appointed as a director of the Company with effect from Admission.
5. **THAT**, subject to and conditional upon the passing of Resolution 1, the Directors be and are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the “**Act**”) to exercise all powers of the Company to allot and issue shares of the Company and to grant rights to subscribe for or to convert any equity into shares of the Company (together “**Rights**”) up to a maximum nominal value of:
  - 5.1 £34,750.00 in relation to the Placing and Subscription;
  - 5.2 £264,000.00 in relation to the Consideration Shares;
  - 5.3 £34,437.78 in relation to the Share Option Plan;
  - 5.4 £34,389.36 in relation to the Warrants; and
  - 5.5 £114,792.00 to be used following Admission as the directors see fit provided that this authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) on 31 December 2021 or the date of the Company’s next Annual General Meeting, whichever is the sooner, except that the Company may before such expiry make offers or agreements which would or might require Rights to be allotted or granted after such expiry and the directors may allot or grant Rights in pursuance of such offer or agreement as if the authority conferred by this Resolution had not expired, and this authority shall be in substitution for all existing authorities to allot equity securities but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

6. **THAT**, subject to and conditional upon the passing of Resolution 1, every 20 ordinary shares of 0.01 pence each in the issued share capital of the Company be consolidated into one ordinary share of 0.20 pence each, such shares having the same rights and being subject to the same restrictions (save as to nominal value) as the ordinary shares of 0.01 pence each in the capital of the Company as set out in the Company's articles of association for the time being; and that (as no shareholder is entitled to a fraction of a share) the Directors be and are hereby authorised to arrange for the aggregation and sale of such fractional entitlements as may arise at the best price reasonably obtainable and to distribute the net proceeds to such shareholders (subject to a minimum entitlement of £3) and to retain the balance of the net proceeds of sale for the benefit of the Company;

#### **Special Resolutions**

7. **THAT**, subject to and conditional upon the passing of Resolution 5, the directors be empowered pursuant to Section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred on them by Resolution 5 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £34,437.78, provided that this authority shall expire (unless previously revoked or renewed by the Company in general meeting), at such time as the general authority conferred on the directors by Resolution 5 above expires, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred by this Resolution had not expired.

This Resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

8. **THAT**, subject to and conditional upon the passing of Resolution 1, the Company's name be changed to Capital Metals plc.

Dated 23 December 2020

By order of the Board  
Ben Harber  
Company Secretary

*Registered office:*  
6<sup>th</sup> Floor, 60 Gracechurch Street  
London  
United Kingdom  
EC3V 0HR

## **Notes to the notice of general meeting**

### **Appointment of proxies**

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you must appoint your own choice of proxy (not the chairman) and give your instructions directly to the relevant person.
3. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you must complete a separate proxy form for each proxy and specify against the proxy's name the number of shares over which the proxy has rights. If you are in any doubt as to the procedure to be followed for the purpose of appointing more than one proxy you must contact the Company's registrars, Share Registrars Limited. If you fail to specify the number of shares to which each proxy relates, or specify a number of shares greater than that held by you on the record date, proxy appointments will be invalid.
4. If you do not indicate to your proxy how to vote on any resolution, your proxy will vote or abstain from voting at their discretion. Your proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the meeting. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against a resolution.

### **Appointment of a proxy using the hard copy proxy form**

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.
6. To appoint a proxy using the proxy form, it must be
  - (a) completed and signed;
  - (b) sent or delivered to the Company's registrars, Share Registrars Limited; and
  - (c) received by the Company's registrars no later than 10.00 a.m on 7 January 2021.
7. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
9. The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001 (SI 2001/3755), specifies that only those ordinary shareholders registered in the register of members of the Company by close of business on 7 January 2021 or, if the meeting is adjourned, in the register of members at close of business on the day two days before the date of any adjourned meeting will be entitled to attend or vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

### **Appointment of proxies through CREST**

10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST

sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: 7RA36) by 10.00 a.m. on 7 January 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
12. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (SI 2001/3755).

#### **Appointment of proxy by joint members**

14. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder (being the first named holder in respect of the shares in the Company's register of members) will be accepted.

#### **Changing proxy instructions**

15. To change your proxy instructions simply submit a new proxy appointment using the methods set out in paragraphs 6 or 11 above. Note that the cut off time for receipt of proxy appointments specified in those paragraphs also applies in relation to amended instructions. Any amended proxy appointment received after the specified cut off time will be disregarded.
16. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company's registrar as indicated in paragraph 3 above.
17. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### **Termination of proxy appointments**

18. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrar as indicated in paragraph 3 above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
19. The revocation notice must be received by the Company no later than 10.00 a.m. on 7 January 2021.
20. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 21 below, your proxy appointment will remain valid.

21. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

**Corporate representatives**

22. A corporation, which is a member, can appoint one or more corporate representatives, who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

**Issued shares and total voting rights**

23. As at 6.00 p.m. on 22 December 2020 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital comprised 456,277,502 ordinary shares of 0.01 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 22 December 2020 is 456,277,502. The Company holds no shares in treasury.

**Communication**

24. You may not use any electronic address provided either in this notice of meeting or any related documents (including the document within which this notice of meeting is incorporated and the proxy form) to communicate with the Company for any purposes other than those expressly stated.

