

Registered number: 5555087

CAPITAL METALS PLC

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

CAPITAL METALS PLC

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CAPITAL METALS PLC

COMPANY INFORMATION

Directors	Gregory Martyr (Non-Executive Chariman) Michael Frayne (Chief Executive Officer) James Leahy (Non-Executive Director) Teh Kwan Wey (Non-Executive Director)
Company Secretary	Westend Corporate LLP
Registered Office	Suite 1 15 Ingestre Place London W1F 0DU
Company Number	05555087
Nominated Adviser	SPARK Advisory Partners Limited 5 St John's Lane London EC1M 4BH
Broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR Tavira Securities Limited 88 Wood Street London EC2V 7DA
Independent Auditor	BDO LLP 55 Baker Street London W1U 7EV
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CAPITAL METALS PLC

CHAIRMAN'S REPORT

Welcome to the Annual Report for Capital Metals plc (the "Company") for the financial year ended 31 March 2022 (the "Year").

This has been an extremely busy period for the management and Board of the Company and we are delighted that it culminated in the grant in August 2022 by the Geological Survey and Mines Bureau of the Government of Sri Lanka of the first two Industrial Mining Licences ("IMLs") for the Eastern Minerals heavy mineral sands project (the "Project"). The IMLs are a major step forward in enabling the commencement of mining activities, in accordance with the development plan outlined in the Preliminary Economic Assessment completed in May 2022, and the advancement of ongoing discussions with offtakers, debt providers and other strategic funding parties.

We are grateful to the Sri Lankan authorities for their cooperation, especially given the current economic and political situation, and believe this represents a strong endorsement of the Project and its future benefits to Sri Lanka. These IMLs are the culmination of a rigorous approval process and importantly provide a basis for the granting of further Industrial Mining Licences. I would like to congratulate our management team in Sri Lanka and thank those stakeholders working in the Sri Lankan government departments for their continued assistance.

The Board and local management team are continuing to monitor the economic and political developments in Sri Lanka and we are encouraged by the announcement on 1 September 2022 by the International Monetary Fund ("IMF") of a staff-level agreement to support Sri Lanka's economic policies. The objectives of Sri Lanka's new IMF-supported programme include the restoration of macroeconomic stability and debt sustainability, while safeguarding financial stability, stepping up structural reforms and unlocking Sri Lanka's growth potential. As a future contributor of foreign earnings and job creation opportunities from the Project, we look forward to playing our part in that economic recovery.

Significant achievements in addition to the granting of the IMLs during and after the Year under review include:

- The drilling programme which commenced in October 2021 which delivered exceptional higher grades. All results from surface to a maximum of only 3.5m depth (with an average depth 1.5m) ended in mineralisation. Exceptional high-grade results of +30% Total Heavy Minerals ("THM") and average grade of 19.37% THM from 560 drill holes, compared to the existing JORC resource grade of 17.6%, indicating the potential for both volume and grade increases.
- The approval by the Coast Conservation and Coastal Resources Management Department in Sri Lanka ("CCD") of the Environmental Impact Assessment in November 2021, which resulted in the issue of a development activity permit covering the northern half of the Project, paving the way for the approval of the IMLs.
- The granting of an additional strategic Exploration Licence in March 2022, which extends from the northern boundary of the Project and provides a further 12 km of contiguous coverage over a total area of 24 km² including the Oluvil Port.
- The completion of the Development Study and Project Economics in May 2022 demonstrating robust economics with a base case NPV of \$155 million and IRR of 56%.
- Continued work with the local communities and Sri Lanka as a whole where we are increasingly seeing a growing awareness of the positive economic and social benefits that the Project can bring.

Looking forward, the team has been active in developing exploration programmes to extend the high-grade resource, with several identified potential areas that could be drilled to increase the total resource. The Project currently has a JORC Resource of 17.2 Mt with an average grade of 17.6% THM. Limited sonic drilling so far undertaken offers a compelling indication of deeper mineralisation, including assays of 26.3% and 26.6% THM at respective depths of 14m and 8m. The Project's THM grades are some of the highest in the global peer group. Less than 10% of the total Project area has been drilled to date. Initial exploration also suggests potential for significant mineralisation further inland. Additional work is planned in due course for infill and step out drilling. We are extremely excited about the potential to expand our resource and we look forward to updating you on further exploration activities over the coming year.

The Company has been closely involved in the community and social development in the Ampara District of the Eastern Province since it first started working there. To this end, we set about funding a number of community projects including beach clean ups, pre-school projects, water projects and COVID-19-related projects. We are deeply committed to community programmes in the areas in which we operate, not only to ensure that local communities share in the benefits of future mining activity but also as part of the Company's long-term social licence to operate.

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The strong current and forecast prices for our minerals, coupled with the clear potential for further expansion of our high-grade resource, provides excellent potential to further enhance the economics of the Project which are already compelling. Indeed, the results of the Development Study and Preliminary Economic Assessment announced in May 2022 confirmed the exceptional economics of the Project even on price assumptions well below the current market prices for our minerals, and before considering any further upside from potential resource extensions. With the low funding requirement of \$37.3 million to reach positive cash flow in the construction of the Project, we have a range of financing options available to the Company, including offtake financing structures and/or project debt, strategic partnering options, all of which are the subject of ongoing discussions. Please refer to the Going Concern Note 2.4.

We look forward to keeping shareholders updated with further progress as we work with all stakeholders to bring the Project into production in a timely manner. We would also like to thank our shareholders for their continuing support as we remain focused on our objective of delivering sustainable value.

Gregory Martyr
Chairman
23 September 2022

CAPITAL METALS PLC

STRATEGIC REPORT

The Directors of the Company present their Strategic Report on the Group for the year ended 31 March 2022.

Strategic approach

The Group's aim is to create value for shareholders through the exploration and development of high grade mineral sands. The Group's strategy is to continue to progress the development of the Project in Sri Lanka towards production in the near future.

Organisation overview

The Group's business is directed by the Board and is managed on a day-to-day basis by the Chief Executive Officer. The Board monitors compliance with objectives and policies of the Group through monthly performance reporting, budget updates and periodic operational reviews.

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

Review of business

During the year the work programme built on previous exploration efforts continued and additional exploration licences were also granted. Further financing was raised with the completion of a Placing, raising a total of \$1,641,000 through the placing of 16,666,666 Ordinary Shares.

Since the year end, the first two Industrial Mining Licences for the Project were granted by the Geological Survey and Mines Bureau as outlined in the Preliminary Economic Assessment which was completed in May 2022.

Financial performance review

The loss of the Group for the year ended 31 March 2022 before taxation amounts to \$1,914,000 (31 March 2021: \$7,886,000).

The Board monitors the activities and performance of the Group on a regular basis. The Board uses financial indicators based on budget versus actual to assess the performance of the Group. The indicators set out below will continue to be used by the Board to assess performance over the period to 31 March 2023.

The three main KPIs for the Group are as follows. These allow the Group to monitor costs and plan future exploration and development activities:

KPI	2022	2021
Cash and cash equivalents	\$1,776,000	\$1,797,000
Administrative expenses as a percentage of total assets	18%	17%
Exploration costs capitalised during the period	\$490,000	\$133,000

Cash has been used to fund the Group's operations and facilitate its investment activities (refer to the Statements of Cash Flows on page 30).

Administrative expenses are the expenses related to the Group's ability to run the corporate functions to ensure they can perform their operational commitments.

Exploration costs capitalised during the period consist of exploration expenditure on the Group's exploration licences net of foreign exchange rate movements.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are outlined below.

The Company continuously monitors its risk exposures and reports to the Board on a regular basis. Risks are reviewed by management and the Board, and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

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STRATEGIC REPORT

Exploration, evaluation and development risk

The exploration and mining business is controlled by a number of global factors, principally supply and demand which in turn is a key driver of global mineral prices; these factors are beyond the control of the Group. Exploration is a high-risk business and there can be no guarantee that any mineralisation discovered will result in proven and probable reserves or go on to be an operating mine. At every stage of the exploration process the projects are rigorously reviewed to determine if the results justify the next stage of exploration expenditure ensuring that funds are only applied to high priority targets.

The principal assets of the Group comprising the mineral exploration licences are subject to certain financial and legal commitments. If these commitments are not fulfilled the licences could be revoked. They are also subject to legislation defined by the Government; if this legislation is changed it could adversely affect the value of the Group's assets.

Dependence on key personnel

The Group and Company is dependent upon its executive management team and various technical consultants. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on its ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions.

Uninsured risk

The Group, as a participant in exploration and development programmes, may become subject to liability for hazards that cannot be insured against or third party claims that exceed the insurance cover. The Group may also be disrupted by a variety of risks and hazards that are beyond control, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupational and health hazards and weather conditions or other acts of God.

Funding risk

The only sources of funding currently available to the Group are through the issue of additional equity capital in the parent company or through bringing in partners to fund exploration and development costs. The Company's ability to raise further funds will depend on the success of the Group's exploration activities and its investment strategy. The Company may not be successful in procuring funds on terms which are attractive and, if such funding is unavailable, the Group may be required to reduce the scope of its exploration activities or relinquish some of the exploration licences held for which it may incur fines or penalties.

Financial risks

The Group's operations expose it to a variety of financial risks that can include market risk (including foreign currency, mineral price and interest rate risk), credit risk, and liquidity risk. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. The Group does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Environmental risk

There may be unforeseen environmental liabilities resulting from both future or historic exploration or mining activities, which may be costly to remedy. In addition, potential environmental liabilities as a result of unfulfilled environmental obligations by the previous owners may impact the Group. If the 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.

Environmental management systems are in place to mitigate environmental risks, including the engagement of an independent and multi-disciplinary team of consultants.

Government regulation, political and country risks

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

The Group actively monitors political and regulatory developments through its team of management, local partners, consultants and advisors.

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Environmental, Social and Governance

The Project has the potential to open significant new economic opportunities in eastern Sri Lanka, and the Group's work with local communities and commitment to ecologically sensitive production procedures that ensures all mining areas are fully rehabilitated. Some benefits to the local community from development of the Project include:

- New high-quality construction, mining and processing work for local workers as well as demand for local contracting services. The Group's construction, mining and processing work will employ local workers, who will be trained and supported by local and foreign mining experts. Demand for contractor services is expected to create a multiplier effect benefiting the wider economy and transferring skills/knowledge to the local work force.
- Community initiatives include waste disposal programmes, ongoing financial and logistical support for a new pre-school, new drinking water infrastructure, sponsorship of female entrepreneurship.
- Full consultation with the local community on any potential environmental impact from the Project, and commitment to state-of-the-art mineral sands processing integrating land rehabilitation into the mining process.
- Potential to free up the port for the local fishing industry and commercial shipping by removing the significant volume of sand that has filled the port area due to the coastal currents depositing sand in the harbour.
- Taxes and royalties flowing from the Group's operations will generate government revenues for reinvestment in Sri Lanka's continued economic development.
- The Country will also benefit from foreign direct investment to bring the mine into production and export earnings from the sale of the products into the international market.

The economic activity stimulated by the Project will be complemented by the Group's ongoing engagement with the Eastern Province's local community. The Company has already demonstrated its commitment to the coastal environment in which it will operate by organising beach cleaning programmes with community leaders, including the Sivan temple at Thambiluvil, with the collected plastic waste transported to the local council refuse centre for ecological disposal.

For the past three years, the Group has sponsored a new pre-school in the village of Umiri, currently supporting 15 students and two teachers, where residents have struggled for years for the resources to secure a good education for their children. The Group has worked in partnership with the local authority and village council to furnish a village hall with new furniture, stationery and equipment, and provides ongoing support through building maintenance, payment of school staff salaries, replenishment of school stationery, transportation, and the supply of safe drinking water through drier months. The Group is currently working with the village to provide long term drinking water facilities.

The Group is working closely with local communities in the Project area, to empower female entrepreneurs supplying furniture, chairs, and other essentials for the Women's Rural Development Society. Another initiative helps members of the Society and other local women embrace sustainable agricultural practices through home gardening and small-scale farming projects.

The Board and local management team are monitoring the economic and political developments in Sri Lanka. The Board expects that recent political changes should enable change to occur more rapidly with increased international cooperation and an overriding requirement to encourage foreign investment and job creation in the country.

Environmentally sensitive mining

The Group is committed to pursuing a state-of-the-art mineral sands mining process that will respect the coastline along which the Project will operate.

The Project's commercial mineral sands will be extracted using proven non-chemical processing methods. The proposed mining method is staged mining of small 150m x 50m cells, with each cell continuously rehabilitated after mining and then fully available for alternative uses such as agriculture and tourism, or to remain as a wilderness.

Well-regulated mineral sands programmes integrate land rehabilitation into the mining process. The shallow depth of mineral sands deposits allow them to be mined using conventional surface mining methods including bulldozers, excavators and trucks. Topsoil, subsoil and clay is removed and stockpiled separately to allow it to be progressively returned after the mining process. The mineral sand deposit is then removed from the ground and then pumped as a slurry to a processing plant where the valuable heavy minerals are separated from the sand. The waste sand (mostly silica) is pumped back to the mining cell, where it is returned to the ground. Subsoil and topsoil are then replaced and the land rehabilitated back to its original use.

Directors' statement under section 172 (1) of the Companies Act 2006

The Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (a) to (f) of the Companies Act 2006 ("S172") when

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performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company.

This S172 statement explains how the Directors have regard to:

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the Company's employees,
- (c) the need to foster the Company's business relationship with suppliers, customers and others,
- (d) the impact of the Company's operations on the community and environment,
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the Company.

The S172 statement focuses on matters of strategic importance to the Company and the Group, and the level of information disclosed is consistent with the size and the complexity of the business.

General confirmation of Directors' duties

The Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. When making decisions, each Director ensures that they act in good faith in the way most likely to promote the Company's success for the benefit of its members as a whole.

S172(1) (a) "The likely consequences of any decision in the long term"

The application of the Section 172 (1) requirements can be demonstrated in relation to some of the key decisions made during the reporting period, including:

- approval of the EIA and final permitting towards grant of Industrial Mining Licence for the Project, which has subsequently been granted post year end
- an additional strategic exploration licence being granted
- completion of equity financing raising \$1,641,000 to further the companies exploration program
- commitment to an updated scoping and development study for the Project
- commitment to developing an exploration strategy for the Project towards increasing the overall resource and target of high value areas of the Project
- continued assessment of corporate overheads and expenditure

The Group is focused on the development of the Eastern Minerals Project in Sri Lanka. The raising of new capital advances the Company's objective, facilitating access to a significant and globally respected financial market to raise funds from London's deep pool of institutional and private investors, towards the development of the Project, whilst providing important liquidity to shareholders.

The EIA approval and grant of the IML, is a key milestone towards the development of the Project and driving significant further shareholder value.

The undertaking of an updated scoping and development study will enhance the technical and economic understanding of the Project towards progressing its commercial development and the significant economic and social benefit to stakeholders.

Although the current resource is of sufficient size for commercial mining operations, the Group is to develop an exploration strategy towards increasing the size of the resource and target of high value areas, enhance the economics of the Project and drive further value to shareholders, as well as further socio-economic benefits to stakeholders through increased production. The undertaking of further significant drilling will be subject to procuring sufficient further funding.

Management assesses overheads and expenditure on an ongoing basis towards the most effective utilisation of funds to meet Group business and strategic objectives to the benefit of shareholders.

S172(1) (b) "The interests of the company's employees"

The Board recognises that the Company's employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

S172(1) the "The need to foster the company's business relationships with suppliers, customers and others"

Delivering on our strategy to develop the Project requires strong mutually beneficial relationships with suppliers, customers, governments, and local partners. We aim to have a positive and enduring impact on the communities in which we operate, including engagement with local suppliers, and through payments to governments in taxes and other fees. The Group values

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all of its suppliers and aims to build strong positive relationships through open communication and adherence to trade terms. The Group is committed to being a responsible entity and doing the right thing for its customers, suppliers and business partners.

S172(1) (d) "The impact of the company's operations on the community and the environment"

As a mineral sands Group operating in Sri Lanka, the Board takes seriously its ethical responsibilities to the communities and environment in which it works. We abide by the local and relevant UK laws on anti-corruption and bribery. The Group is committed to following international best practice on environmental aspects of our work and the development of the Project. We actively engage with the local communities in order to ensure we maintain our social licence to operate and develop the Project. Management and employees conduct site visits and hold external stakeholder engagements. Wherever possible, local communities are engaged in the Group's activities and the development of the Project will provide much needed employment and wider socio-economic benefits to the local communities.

S172(1) (e) "The desirability of the company maintaining a reputation for high standards of business conduct"

The Group aims to achieve the development of the Project in ways which are economically, environmentally and socially responsible. The Board periodically reviews and approves clear frameworks, such as the Company's Code of Business Ethics, to ensure that its high standards are maintained both within the Group and the business relationships we maintain. This, complemented by the various ways the Board is informed and monitors compliance with relevant governance standards, help ensure its decisions are taken and that the Group acts in ways that promote high standards of business conduct.

S172(1) (f) "The need to act fairly as between members of the company"

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy over the long-term, taking into consideration the impact on stakeholders. The Directors believe they have acted in the way they consider most likely to promote the success of the Company for the benefit of its members as a whole.

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with key private shareholder, analysts and brokers, providing the opportunity to discuss issues and provide feedback at meetings with the Company. All shareholders are encouraged to attend the Company's Annual General Meeting and any general meetings held by the Company.

Outlook

The reporting period saw positive progress towards the major milestones of the approval of the EIA and Industrial Mining Licences, both of which have now been completed.

In common with many exploration and evaluation entities, the Group will need to raise further funds within the next 12 months, in order to meet its expected expenditures, and progress the Group into the next phase of definitive feasibility, and then into construction and finally into production. For further details please see the going concern disclosure in Note 2.4.

We look forward to reporting on the next phase of the Project, including the potential expansion of the Resource, as well as further technical, engineering and economic studies towards construction and bringing the Project into production.

Michael Frayne
Chief Executive Officer
23 September 2022

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DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of Capital Metals plc together with the Financial Statements for the year ended 31 March 2022.

Principal activities

The principal activity of the Group is the development of the Eastern Minerals Project located in the Ampara District of the Eastern Province of Sri Lanka.

Dividends

The Directors do not recommend the payment of a dividend for the year (2021: Nil).

Directors & Directors' interests

The Directors who served during the year ended 31 March 2022 are shown below and had, at that time the following beneficial interests in the shares of the Company:

	31 March 2022		31 March 2021	
	Ordinary Shares	Options	Ordinary Shares	Options
Gregory Martyr	4,582,746	1,500,000	4,582,746	1,500,000
Michael Frayne	13,190,006	3,000,000	13,056,672	3,000,000
Anthony Samaha (1)	-	-	347,881	1,500,000
Geoffrey Brown (2)	26,447	500,000	26,447	500,000
James Leahy	188,333	1,500,000	55,000	1,500,000
Teh Kwan Wey	-	500,000	-	500,000

(1) Anthony Samaha resigned on 29 October 2021.

(2) Geoffrey Brown retired on 28 February 2022.

Further details on options can be found in Note 16 to the Financial Statements.

Substantial shareholders

The substantial shareholders at 31 March 2022 are shown below:

	31 March 2022	
	Holding	Percentage
Brent Holdings Limited	24,793,095	13.11
Roman Resources Management Pty Ltd	14,423,869	7.63
Stanton Investment Ltd	12,678,820	6.70
KL-Kepong International Ltd	11,197,984	5.92
Chulu Holding Pty Ltd	8,093,048	4.27

Corporate responsibility

The Board is committed to ensuring good standards of corporate governance in so far as practicable for a company of this size. The London Stock Exchange has required all AIM companies to apply a recognised corporate governance code. In connection with these requirements, the Quoted Companies Alliance has published a new Corporate Governance Code which the Company has adopted. The Company has adopted and operates a share dealing code for Directors and senior employees on substantially the same terms as the Model Code appended to the Listing Rules of the UK Listing Authority. Information in relation to the Corporate Governance of the Group is contained within the Corporate Governance Report.

Environmental

The Group's operations are, and will be, subject to environmental regulation (with regular environmental impact assessments and evaluation of operations required before any permits are granted to the Group) in the jurisdiction in which it operates. Although the Group intends to be in compliance with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances, which could subject the Group to extensive

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DIRECTORS' REPORT

liability. Further, the Group may fail to obtain the required approval from the relevant authorities necessary for it to undertake activities which are likely to impact the environment. The Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area. No environmental breaches have been notified by any governmental agency as at the date of this report.

Health and safety

The Group operates a comprehensive health and safety programme to ensure the wellness and security of its employees. The control and eventual elimination of all work related hazards requires a dedicated team effort involving the active participation of all employees. A comprehensive health and safety programme is the primary means for delivering best practices in health and safety management. This programme is regularly updated to incorporate employee suggestions, lessons learned from past incidents and new guidelines related to new projects with the aim of identifying areas for further improvement of health and safety management. This results in continuous improvement of the health and safety programme. Employee involvement is regarded as fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents.

Employment policies and remuneration

The Company is committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure ongoing success for the business. Employees and those who seek to work with the Company are to be treated equally regardless of sex, marital status, creed, age, colour, race or ethnic origin.

Directors' remuneration

The Group remunerates the Directors at a level commensurate with the size of the Group and the experience of its Directors. The Board has reviewed the Directors' remuneration and believes it upholds the objectives of the Company and the Group with regard to this issue.

Please refer to Note 19 for details of Directors' remuneration.

Energy and carbon report

The Group is not required to report energy and emissions information under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, given its size. The Group will review providing voluntary disclosures in future reporting periods, where it continues to be below the reporting thresholds.

Corporate and social responsibility

The Company maintains high, ethical standards in its business activities. We act responsibly, promoting accountability as individuals and as a company. We operate with ethics and fairness and comply with all required rules and regulations.

The Company requires that in respect to all of its operations there runs alongside this a comprehensive community engagement plan. It is vital that we engage, listen and communicate effectively with local communities, particularly when they begin the process of planning new developments. Whilst the Company is cognisant of its corporate social responsibilities, the Company considers that it is not of the size to warrant a formal policy.

Going concern

These financial statements have been prepared on the going concern basis, as set out in Note 2.4.

The Directors have prepared cash flow forecasts for the period ending 31 December 2023, which take into account the cost and operational structure of the Group and Parent Company, planned exploration and evaluation expenditure, licence commitments and working capital requirements. These forecasts indicate that the Group and parent Company's cash resources are not sufficient to cover the projected expenditure for the period of 12 months from the date of approval of these financial statements. These forecasts indicate that the Group and Parent Company, in order to meet their operational objectives, and expected liabilities as they fall due, will be required to raise additional funds within the next 12 months.

Whilst the Directors are confident that they will be able to secure the necessary funding, the current conditions do indicate the existence of a material uncertainty that may cast doubt regarding the applicability of the going concern assumption and the auditors have made reference to this in their audit report. The Directors are confident in the Company's ability to raise additional funds as required, from existing and/or new investors, within the next 12 months. Thus, they continue to adopt the going concern basis of accounting preparing these financial statements.

Directors' and Officers' indemnity insurance

The Company maintains a directors' and officers' liability policy on normal commercial terms which includes third party indemnity provisions.

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DIRECTORS' REPORT

Financial Risk Management Objectives

The Group's activities expose it to foreign currency, credit and liquidity risks. The size of the Company means that it is unnecessary and impractical for the Directors to delegate the responsibility of monitoring financial risk management to a sub-committee of the Board. Refer to Note 3.1 of the financial statements, for further details.

Events after the reporting period

Events after the reporting period are set out in Note 26 to the Financial Statements.

Future developments

Details of future developments for the Group are disclosed in the Chairman's Report on page 3.

Provision of information to Auditor

So far as each of the Directors is aware at the time this report is approved:

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

Auditor

BDO LLP has signified its willingness to continue in office as auditor.

This report was approved by the Board on 23 September 2022 and signed on its behalf.

Michael Frayne
Chief Executive Officer
23 September 2022

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STATEMENT OF DIRECTORS RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group and Company financial statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Company is compliant with AIM Rule 26 regarding the Company's website.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

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CORPORATE GOVERNANCE REPORT

The Company continues to be guided by the Quoted Companies Alliance Corporate Governance Code. Throughout the past year, the Company has complied with all aspects of the QCA Code and completed periodic reviews of its charter in order to maintain the robustness of its governance systems. No material issues were identified over the past twelve months.

The Company is committed to maintaining the highest standards in corporate governance throughout its operations and to ensure all of its practices are conducted transparently, ethically and efficiently. The Company believes scrutinising all aspects of its business and reflecting, analysing and improving its procedures will result in the continued success of the Company and deliver value to shareholders. Therefore, and in accordance with the AIM Rules for Companies (the "AIM Rules"), the Company has chosen to formalise its governance policies by complying with the UK's Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code").

The Board currently consists of four Directors: a Chief Executive Officer, Non-Executive Chairman, and two Non-Executive Directors ("NED"s). The Board considers that appropriate oversight of the Company is provided by the currently constituted Board.

Corporate Governance Report

The QCA Code sets out 10 principles that should be applied. These are listed below together with a short explanation of how the Company applies each of the principles:

Principle One

Business Model and Strategy

The business objective of the Group is to successfully evaluate, permit, finance and develop the Eastern Minerals Project in Sri Lanka into a profitable mining operation in a socially and environmentally responsible way. The Company's business model and strategy are outlined in the strategic report commencing on page 5.

Principle Two

Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communications and having constructive dialogue with its shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting and any other General Meetings that are held throughout the year.

Investors also have access to current information on the Company through its website www.capitalmetals.com and its Chief Executive Officer, who is available to answer investor relations enquiries at: info@capitalmetals.com. The Company provides regulatory, financial and business news updates through the Regulatory News Service in accordance with the AIM Rules for Companies.

Principle Three

Considering Wider Stakeholder and Social Responsibilities

The Board recognises that the long term success of the Group is reliant upon the collective efforts of management, employees, consultants, suppliers, regulators and other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships, including ongoing two-way communication, control and feedback processes to enable appropriate and timely response.

As part of the Mining Licence application by the Group for the Project in Sri Lanka, a detailed social impact assessment study was undertaken, as well as a public stakeholder consultation process. The results of this public consultation and engagement process have been overall positive, with the Project receiving overall support from relevant stakeholders

Principle Four

Risk Management

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible whilst recognising that its business opportunities carry an inherently high level of risk. The principal risks and uncertainties facing the Group at this stage and in the foreseeable future are detailed in the Risk Factors report of the Company's AIM Admission Document and updated in the annual report and accounts, which are available on the Company's website www.capitalmetals.com.

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Principle Five

A Well Functioning Board of Directors

The Board's role is to agree the Company's long-term direction and strategy and monitor achievement of key milestones against its business objectives. The Board meets formally at least six times a year for these purposes and holds additional meetings when necessary to transact other business. The Board receives reports for consideration on all significant strategic, operational and financial matters.

The Board is comprised of a Chief Executive Officer (Michael Frayne); a Non-Executive Chairman (Gregory Martyr) and two NEDs (James Leahy and Teh Kwan Wey). Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director. The Board meets regularly throughout the year as deemed appropriate formally and informally, in person and by telephone.

The Company constantly keeps under review the constitution of the Board and may seek to add more members as required as the Company grows and develops.

The Board as a whole considers the NEDs to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Board has implemented an effective committee structure to assist in the discharge of its responsibilities. All committees of the Board have written terms of reference dealing with their authority and duties. Membership of the Audit, Remuneration and Nominations Committees is comprised exclusively of Non-Executive Directors. The Company Secretary acts as secretary to each of these committees.

Details of the Directors' attendance at the Board and Board committee meetings are set out below:

	Board Meetings attended	Nominations committee	Audit committee
Gregory Martyr	6/6	-	2/2
Michael Frayne	6/6	-	-
Anthony Samaha (resigned 29 October 2021)	3/6	-	-
Geoffrey Brown (retired 28 February 2022)	5/6	1/1	-
James Leahy	6/6	1/1	-
Teh Kwan Wey	5/6	-	2/2

Principle Six

Appropriate Skills and Experience of the Directors

The Board considers the current balance of sector, financial and public market skills and experience which it embodies is appropriate for the size and stage of development of the Company and that the Board has the skills and requisite experience necessary to execute the Company's strategy and business plan whilst also enabling each Director to discharge their fiduciary duties effectively. Biographies for each member of the Board is provided on the Company's website www.capitalmetals.com.

All Directors, through their involvement in other listed companies as well as the Company, including attendance at seminars, forums and industry events and through their memberships of various professional bodies, keep their skill sets up to date.

The Board reviews annually, and when required, the appropriateness of its mix of skills and experience to ensure that it meets the changing needs of the Company.

The Company has a professional Company Secretary in the UK who assists the Chief Executive Officer in preparing for and running effective Board meetings, including the timely dissemination of appropriate information. The Company Secretary provides advice and guidance to the extent required by the Board on the legal and regulatory environment.

Principle Seven

Evaluation of Board Performance

Review of the Group's progress against the long-term strategy and aims of the business provides a means to measure the effectiveness of the Board. This progress is reviewed in Board meetings held at least six times a year. The Chief Executive Officer's performance is reviewed once a year by the Board and measured against a definitive list of strategic targets set by the Board.

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The Company conducts periodic reviews of its Board succession planning protocols which includes an assessment of the number of Board members and relative experience of each Board member vis-a-vis the Company's requirements given its stage of development, with the goal of having in place an adequate and sufficiently experienced Board at all times.

Principle Eight

Corporate Culture

The corporate culture of the Company is promoted throughout its employees and consultants and is underpinned by compliance with local regulations and the implementation and regular review and enforcement of various policies including a Share Dealing Policy and Code, Anti-Corruption and Anti-Bribery Policy, Matters Reserved for the Board, Code of Business Ethics, Whistle Blowing Policy, and Media and Communications Policy, so that all aspects of the Company are run in a robust and responsible way.

The Board is aware that the culture set by the Board will impact all aspects of the Group and the way that employees and consultants behave. The exploration, evaluation and development of mineral resources can have a significant impact and it is important that the communities view the Group's activities positively. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives.

Principle Nine

Maintenance of Governance Structures and Processes

The Board is responsible for setting the vision and strategy for the Company to deliver value to the Company's shareholders by effectively putting in place its business model.

The roles and responsibility of the Chief Executive Officer, Non-Executive Chairman and other Directors are laid out below:

- The Chief Executive Officer's primary responsibilities are to: implement the Company's strategy in consultation with the Board; take responsibility for the Company's projects in Sri Lanka; run the Company on a day-by-day basis; implement the decisions of the Board; monitor, review and manage key risks; act as the Company's primary spokesman; communicate with external audiences such as investors, analysts and media; and be responsible for the administration of all aspects of the Company.
- The Non-Executive Chairman's primary responsibilities are to: lead the Board and to ensure the effective working of the Board; in consultation with the Board, ensure good corporate governance and set clear expectations with regards to the Company culture, values and behaviour; set the Board's agenda and ensures that all Directors are encouraged to participate fully in the decision-making process of the Board and take responsibility for relationships with the Company's professional advisers and major shareholders.
- The Company's NEDs participate in all Board level decisions and play a particular role in the determination and articulation of strategy. The Company's NEDs provide oversight and scrutiny of the performance of the Executive Directors, whilst both constructively challenging and inspiring them, thereby ensuring the business develops, communicate and execute the agreed strategy and operate within the risk management framework.
- The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

The Board is supported by the audit, remuneration and nominations committees as described below.

Audit Committee

The Audit Committee comprises Gregory Martyr (Chair) and Teh Kwan Wey.

The Audit Committee reviews reports from management and from BDO LLP, the Company's auditor, relating to the interim and annual accounts and to the system of internal financial control.

The Audit Committee is responsible for assisting the Board's oversight of the integrity of the financial statements and other financial reporting, the independence and performance of BDO LLP, the regulation and risk profile of the Company and the review and approval of any related party transactions. The Audit Committee may hold private sessions with BDO LLP without management present. Further, the Audit Committee is responsible for making recommendations to the Board on the appointment of BDO LLP and the audit fee and reviews reports from management and BDO LLP on the financial accounts and internal control systems used throughout the Company.

The Audit Committee meets at least two times a year and is responsible for ensuring that the Company's financial performance is properly monitored, controlled and reported. The Audit Committee is responsible for the scope and effectiveness of the external audit and compliance by the Company with statutory and other regulatory requirements.

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The Audit Committee:

- monitors in discussion with BDO LLP the integrity of the financial statements of the Company, any formal announcements relating to the Company's financial performance and reviews significant financial reporting judgments contained in them;
- reviews the Company's internal financial controls and reviews the Company's internal control and risk management systems;
- considers annually whether there is a need for an internal audit function and makes a recommendation to the Board;
- makes recommendations to the Board for it to put to the shareholders for their approval in the general meeting, in relation to the appointment, re-appointment and removal of BDO LLP and to approve the remuneration and terms of engagement of BDO LLP;
- reviews and monitors BDO LLP's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- develops and implements policy on the engagement of BDO LLP to supply non-audit services, taking into account relevant external guidance regarding the provision of non-audit services by BDO LLP; and
- reports to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

The Audit Committee also reviews arrangements by which the staff of the Company and the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action.

Remuneration Committee

The Remuneration Committee comprises James Leahy (Chair) and Gregory Martyr.

The Remuneration Committee is responsible for considering all material elements of remuneration policy, the remuneration and incentivisation of Executive Directors and senior management (as appropriate) and to make recommendations to the Board on the framework for executive remuneration and its cost. The role of the Remuneration Committee is to keep under review the Company's remuneration policies to ensure that the Company attracts, retains and motivates the most qualified talent who will contribute to the long-term success of the Company. The Remuneration Committee also reviews the performance of the Chief Executive Officer and sets the scale and structure of his remuneration, including the implementation of any bonus arrangements, with due regard to the interests of shareholders.

The Remuneration Committee is also responsible for reviewing the terms of granting options by the Company, in particular, the price per share and the application of the performance standards which may apply to any grant, ensuring in determining such remuneration packages and arrangements, due regard is given to any relevant legal requirements, the provisions and recommendations in the AIM Rules and The QCA Code.

The Remuneration Committee:

- determines and agrees with the Board the framework or broad policy for the remuneration of the Chief Executive Officer;
- determines targets for any performance-related pay schemes operated by the Company;
- ensures that contractual terms on termination and any payments made are fair to the individual, the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- determines the total individual remuneration package of the Chief Executive Officer, including bonuses, incentive payments and share options;
- is aware of and advises on any major changes in employees' benefit structures throughout the Company;
- ensures that provisions regarding disclosure, including pensions, as set out in the (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, are fulfilled; and
- is exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee.

Nominations Committee

The Nominations Committee comprises Gregory Martyr (Chair) and James Leahy.

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The Nominations Committee shall be responsible for considering all criteria for new Executive and Non-Executive Director appointments, including experience of the industry in which the Company operates and professional background. Specifically, the Nominations Committee:

- is responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- evaluates the balance of skills, knowledge, experience and diversity of the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment;
- reviews annually the time required from the Non-Executive Directors and assess whether each Non-Executive Director is spending enough time to fulfil their duties;
- considers candidates from a wide range of backgrounds;
- gives full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise therefore needed on the Board, reporting to the Board regularly;
- regularly reviews the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to changes;
- keeps under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace;
- makes a statement in the annual report about its activities, the process used for appointments and explains if external advice or open advertising has not been used, the membership of the Nominations Committee, number of Nominations Committee meetings and attendance over the course of the year;
- ensures that on appointment to the Executive and Non-Executive Directors receive formal letters of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
- considers and makes recommendations to the Board about the re-appointment of any Non-Executive Director at the conclusion of their specified term of office or retiring in accordance with the Company's Articles of Association; and
- considers and make recommendations to the Board on any matter relating to the continuation in office of any Director at any time.

Principle Ten

Shareholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with key private shareholder, analysts and brokers, providing the opportunity to discuss issues and provide feedback at meetings with the Company.

The Company also provides regular updates on the progress of the Company, detailing recent business and strategy developments, in news releases which is available on the Company's website www.capitalmetals.com. The Company's financial reports can also be found on its website.

All shareholders are encouraged to attend the Company's Annual General Meeting and any general meetings held by the Company. The Company has elected to host its AGMs in London. The Directors believe hosting the AGM in London will enhance engagement with the Company's shareholders by making the meeting more accessible. The Board is always open to receiving feedback from shareholders. Communications should be directed to info@capitalmetals.com. The Chief Executive Officer has been appointed to manage the relationship between the Company and its shareholders and will review and report to the Board on any communications received.

The Company also participates in various investor events including conferences and presentation evenings, at which shareholders can meet with management in person to answer queries, provide information on current developments and to take into consideration shareholder views and suggestions.

Gregory Martyr

Chairman

23 September 2022

CAPITAL METALS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL METALS PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at as at 31 March 2022 and of the Group's *loss* for the year then ended;
- the Group financial statements have been properly prepared in accordance UK adopted international accounting standards
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Capital Metals Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the Consolidated & Company statements of financial position, the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Statements of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 2.4 to the financial statements, which indicates that the Group and Parent company will need to raise additional funding within twelve months from the date of approval of financial statements. As stated in Note 2.4, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and our audit procedures in response to key audit matter included the following:

- We discussed with Directors their assessment of potential risks and uncertainties associated with areas such as the Group's operations, ability to secure funding that are relevant to the Group's business model and operations. We formed our own assessment of risks and uncertainties based on our understanding of the business and mineral sands sector.
- We obtained Directors' sensitivity analysis to determine the point at which liquidity breaks and considered whether such scenarios were reasonably possible.
- We critically assessed Directors' base case cash flow forecasts and the underlying key assumptions which have been approved by the Board. In doing so, we considered factors such as historical operating expenditure. We evaluated commitments under the exploration licenses, reviewed board minutes and market announcements for indications of additional cash requirements.
- We discussed with management and the Board the Group's strategy to access capital to fund its development plans. We considered management's judgement that they had reasonable expectation of securing necessary funding and the timing of such funding requirement.
- We reviewed and considered the adequacy of the going concern disclosure within the financial statements in reference the requirements of the financial reporting framework, our understanding of the business, and the Directors assessment.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

CAPITAL METALS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL METALS PLC

Overview

Coverage	<i>99% of Group profit before tax 99% of Group total assets</i>		
Key audit matters		2022	2021
	Going concern	✓	✓
	Carrying value of exploration assets	✓	✓
	Accounting for the reverse acquisition	-	✓
	Given that the reverse acquisition was a one-off transaction in the prior year, accounting for the reverse acquisition is not considered to be a key audit matter in the current year.		
Materiality	<i>Group financial statements as a whole</i> US\$100,000 based on 1.5% of Total Assets.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, our Group audit scope focused on the Group's principal operating locations being Sri Lanka (Eastern Minerals (Pvt) Limited and Damsila Exports (Pvt) Limited) and the United Kingdom (Capital Metals Plc) .

These were regarded as being significant components of the Group and were subject to full scope audits based on their size and risk characteristics.

The remaining components of the Group were considered non- significant and these components were principally subject to analytical review procedures.

The full scope audits and analytical review procedures in each component were performed in the United Kingdom by the Group engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty in relation to going concern section of our report, we have determined the matter described below to be a key audit matter.

Key audit matter		How the scope of our audit addressed the key audit matter
Carrying value of exploration assets	As detailed in Note 8, the carrying value of Exploration and Evaluation Assets ("E&E assets") amounted to US\$6.2 million at 31 March 2022.	Our procedures in relation to Managements assessment of the Carrying value of E&E assets included: <ul style="list-style-type: none"> We reviewed Managements impairment review assessment and performed our own assessment of impairment

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CAPITAL METALS PLC

	<p>Management are required to assess each year whether there are any potential impairment triggers under IFRS 6 Exploration for and Evaluation of Mineral Resources which would indicate that the carrying value of E&E assets may not be recoverable.</p> <p>As disclosed in Notes 2.7, 4 and 8, the impairment review of the carrying value of E&E assets requires significant judgment to be made by Management.</p> <p>Given the materiality of the assets in the context of the Group’s statement of financial position and the judgement involved in making this assessment we consider this to be a key audit matter.</p> <p>We also consider appropriate disclosure of the judgements involved in Managements assessment is important to the understanding of the financial statements and therefore adequacy of disclosure is also considered a key audit matter.</p>	<p>indicators in accordance with IFRS 6 in order to determine whether their assessment was complete and in accordance with the requirements of the accounting standard.</p> <ul style="list-style-type: none"> • We evaluated Managements assessment of the Group’s right to tenure over the Eastern Minerals Project licence area by reviewing licence agreements. • We challenged Managements expectation that the industrial mining licence application (“IML”) over the DEL licence which had expired, will be obtained. In doing so, we reviewed the IML applications and the two IML’s which was granted subsequent to the year end. We discussed with the Group’s Sri Lankan external solicitor on the likelihood of IML applications not granted being received. We assessed the solicitor’s competence and independence. • We discussed with Managements and reviewed board minutes and press releases to assess the exploration activity undertaken in the year, the results of exploration activity and the future plans for the licence area, for indicators that the exploration activity in the period have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the project area, which would be an indicator of impairment. • We reviewed the planned works programme to determine if substantive expenditure is planned in each licence area to identify whether there were circumstances whereby no further substantive expenditure was planned, which would be an indicator of impairment. • We evaluated the adequacy of the Group’s disclosures in respect of the impairment assessment against the requirements of the financial reporting framework. <p>Key observations:</p> <p>Based on the work performed we found Management’s assessment of the carrying value of exploration assets to be reasonable.</p> <p>We found the disclosures in the financial statements to be appropriate.</p>
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL METALS PLC

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2022	2021	2022	2021
Materiality	US\$ 100,000	US\$ 122,000	US\$ 60,000	US\$ 72,000
Basis for determining materiality	1.5% of Total Assets		0.2% of Total assets	
Rationale for the benchmark applied	We consider total assets to be the most significant determinant of the Group's financial performance used by the users of financial statements. The Group has invested significant sums on its Exploration assets and these are considered to be the key value driver for the Group as its assets are an indicator of future value to the users of financial statements.		The Company is a holding company which performs fund raising activities and incurs other administrative expenditure. As the strategic focus of the Company is monetising its asset base we have determined that an asset based materiality is the appropriate basis of materiality.	
Performance materiality	US\$ 65,000	US\$ 78,000	US\$ 39,000	US\$ 46,000
Basis for determining performance materiality	65% of materiality based on our assessment of a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the group's internal controls and management's attitude towards proposed adjustments.		65% of materiality based on our assessment of a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the group's internal controls and management's attitude towards proposed adjustments.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 60% and 70% (2021: 50% and 70%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from US\$60,000 to US\$70,000 (2021: US\$60,000 to US\$84,000) In the audit of each component, we further applied performance materiality levels of 65% (2021: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £2,000 (2021: £2,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained

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in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; andthe Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none">adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; orthe Parent Company financial statements are not in agreement with the accounting records and returns; orcertain disclosures of Directors' remuneration specified by law are not made; orwe have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

- Holding discussions with Directors and Audit Committee and considering any known or suspected instances of non-compliance with laws and regulations or fraud;

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- Gaining an understanding of the laws and regulations relevant to the Group and the Parent Company and the industry in which it operates, through discussion with management and our knowledge of the industry. These included the AIM rules, the financial reporting framework, UK Companies Law, tax legislation and environmental regulations in the UK and Sri Lanka;
- Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remaining alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Assessing the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by making enquiries of the Directors and the Audit Committee during the planning and execution phases of our audit to understand where they considered there to be susceptibility to fraud. We believed the areas in which fraud might occur were in the management override of controls.

In response our procedures included, but were not limited to;

- Agreeing the financial statement disclosures to underlying supporting documentation;
- Addressing the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud;
- Assessing areas of the financial statements which include judgement and estimates, as set out in Note 4 to the financial statements and in our Key audit matters section above and evaluated whether there was evidence of bias;
- Made of enquiries of Directors as to whether there was any correspondence from regulators in so far as the correspondence related to the financial statements;
- Reading minutes from board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations and fraud.

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

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

Use of our report

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

Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
23 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC3051Financial).

CAPITAL METALS PLC

CONSOLIDATED & COMPANY STATEMENTS OF FINANCIAL POSITION For the year ended 31 March 2022

	Note	Group		Company	
		For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2021
		\$	\$	\$	\$
Non-Current Assets					
Property, plant and equipment	7	29,000	48,000	-	-
Investment in subsidiaries	9	-	-	35,030,000	36,800,000
Loans to subsidiaries	10	-	-	1,835,000	-
Exploration & evaluation assets	8	4,556,000	6,178,000	-	-
		4,585,000	6,226,000	36,865,000	36,800,000
Current Assets					
Loans to subsidiaries	10	-	-	-	1,195,000
Trade and other receivables	11	36,000	115,000	65,000	112,000
Cash and cash equivalents	12	1,776,000	1,797,000	1,603,000	1,706,000
		1,812,000	1,912,000	1,668,000	3,013,000
Total Assets		6,397,000	8,138,000	38,533,000	39,813,000
Non-Current Liabilities					
Trade and other payables	13	602,000	600,000	-	-
		602,000	600,000	-	-
Current Liabilities					
Trade and other payables	13	724,000	707,000	101,000	95,000
		724,000	707,000	101,000	95,000
Total Liabilities		1,326,000	1,307,000	101,000	95,000
Net Assets		5,071,000	6,831,000	38,432,000	39,718,000
Equity attributable to owners of the Parent					
Share capital	15	6,062,000	6,019,000	6,062,000	6,019,000
Share premium	15	48,947,000	47,470,000	48,947,000	47,470,000
Other reserves	17	(35,507,000)	(34,141,000)	37,414,000	38,521,000
Retained losses		(14,431,000)	(12,517,000)	(53,991,000)	(52,292,000)
Total Equity		5,071,000	6,831,000	38,432,000	39,718,000

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company Income Statement and Statement of Comprehensive Income. The loss for the Company for the year ended 31 March 2022 was \$1,699,000 (period ended 31 March 2021: \$1,634,000).

The Financial Statements were approved and authorised for issue by the Board of Directors on 23 September 2022 and were signed on its behalf by:

Michael Frayne
Director

CAPITAL METALS PLC

CONSOLIDATED INCOME STATEMENT For the year ended 31 March 2022

		For the year ended 31 March 2022	For the year ended 31 March 2021
	Note	\$	\$
Continued operations			
Administrative expenses	22	(1,194,000)	(1,432,000)
Cost of acquiring listing		-	(5,454,000)
Share based payment charge	16	(721,000)	(1,111,000)
Other gains		1,000	-
Operating loss		(1,914,000)	(7,997,000)
Finance income		-	111,000
Loss before income tax		(1,914,000)	(7,886,000)
Income tax	20	-	-
Loss for the year attributable to owners of the Parent		(1,914,000)	(7,886,000)
Basic (Loss) Per Share attributable to owners of the Parent during the period (expressed in cent per share)	21	(0.36)	(5.61)

CAPITAL METALS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 March 2022

	For the year ended 31 March 2022	For the year ended 31 March 2021
	\$	\$
Loss for the year	(1,914,000)	(7,886,000)
Other Comprehensive Income:		
Items that may be subsequently reclassified to profit or loss		
Foreign exchange on translation of foreign subsidiaries	(2,100,000)	167,000
Other comprehensive profit/(loss) for the year, net of tax	(2,100,000)	167,000
Total Comprehensive Income attributable to owners of the Parent	(4,014,000)	(7,719,000)

CAPITAL METALS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2022

Note	Share capital \$	Share premium \$	Other reserves \$	Retained losses \$	Total \$
Restated balance as at 1 April 2020	5,611,000	47,267,000	(43,514,000)	(4,767,000)	4,597,000
Loss for the year	-	-	-	(7,886,000)	(7,886,000)
Other comprehensive income for the year					
Items that may be subsequently reclassified to profit or loss					
Other comprehensive income	-	-	167,000	-	167,000
Total comprehensive income/(loss) for the year	-	-	167,000	(7,886,000)	(7,719,000)
Cancellation of options	-	-	(136,000)	136,000	-
Reverse acquisition	360,000	-	5,880,000	-	6,240,000
Issue of share capital for cash	47,000	2,795,000	-	-	2,842,000
Costs of issue of share capital	-	(299,000)	-	-	(299,000)
Issue of share warrants	-	(2,320,000)	2,694,000	-	374,000
Issue of options	-	-	768,000	-	768,000
Issue of share capital to settle CML convertible bond interest	1,000	27,000	-	-	28,000
Total transactions with owners, recognised directly in equity	408,000	203,000	9,206,000	136,000	9,953,000
Balance as at 31 March 2021	6,019,000	47,470,000	(34,141,000)	(12,517,000)	6,831,000
Balance as at 1 April 2021	6,019,000	47,470,000	(34,141,000)	(12,517,000)	6,831,000
Loss for the year	-	-	-	(1,914,000)	(1,914,000)
Other comprehensive income for the year					
Items that may be subsequently reclassified to profit or loss					
Other comprehensive loss	-	-	(2,100,000)	-	(2,100,000)
Total comprehensive loss for the year	-	-	(2,100,000)	(1,914,000)	(4,014,000)
Issue of share capital for cash	43,000	1,598,000	-	-	1,641,000
Costs of issue of share capital	-	(121,000)	-	-	(121,000)
Share based payments	-	-	734,000	-	734,000
Total transactions with owners, recognised directly in equity	43,000	1,477,000	734,000	-	2,254,000
Balance as at 31 March 2022	6,062,000	48,947,000	(35,507,000)	(14,431,000)	5,071,000

CAPITAL METALS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY For the year ended 31 MARCH 2022

Note	Share capital \$	Share premium \$	Other reserves \$	Retained Losses \$	Total \$
Balance as at 1 October 2020	5,611,000	47,242,000	(1,061,000)	(50,658,000)	1,134,000
Loss for the year	-	-	-	(1,634,000)	(1,634,000)
Other comprehensive income for the year					
Items that may be subsequently reclassified to profit or loss					
Other comprehensive loss	-		511,000	-	511,000
Total comprehensive income/(loss) for the year	-	-	511,000	(1,634,000)	(1,123,000)
Issue of shares to acquire CML	360,000	-	35,634,000	-	35,994,000
Issue of share capital for cash	47,000	2,795,000	-	-	2,842,000
Transaction costs on issue of share capital	-	(299,000)	-	-	(299,000)
Issue of share warrants	-	(2,295,000)	2,669,000	-	374,000
Issue of share options	-	-	768,000	-	768,000
Issue of share capital to settle CML convertible bond loan interest	1,000	27,000	-	-	28,000
Total transactions with owners, recognised directly in equity	408,000	228,000	39,071,000	-	39,707,000
Balance as at 31 March 2021	6,019,000	47,470,000	38,521,000	(52,292,000)	39,718,000
Balance as at 1 April 2021	6,019,000	47,470,000	38,521,000	(52,292,000)	39,718,000
Loss for the year	-	-	-	(1,699,000)	(1,699,000)
Other comprehensive income for the year					
Items that may be subsequently reclassified to profit or loss					
Other comprehensive loss	-	-	(1,841,000)	-	(1,841,000)
Total comprehensive loss for the year	-	-	(1,841,000)	(1,699,000)	(3,540,000)
Issue of share capital for cash	43,000	1,598,000	-	-	1,641,000
Transaction costs on issue of share capital	-	(121,000)	-	-	(121,000)
Share option expense	-	-	734,000	-	734,000
Total transactions with owners, recognised directly in equity	43,000	1,477,000	734,000	-	2,254,000
Balance as at 31 March 2022	6,062,000	48,947,000	37,414,000	(53,991,000)	38,432,000

CAPITAL METALS PLC

STATEMENTS OF CASH FLOWS For the year ended 31 March 2022

	Note	Group		Company	
		Year ended 31 March 2022 \$	Year ended 31 March 2021 \$	Year ended 31 March 2022 \$	Year ended 31 March 2021 \$
Cash flows from operating activities					
(Loss) before income tax		(1,914,000)	(7,886,000)	(1,699,000)	(1,634,000)
Adjustments for:					
Depreciation	7	9,000	19,000	-	2,000
Share based payments	16	721,000	1,111,000	721,000	768,000
Deemed reverse acquisition expense		-	5,454,000	-	-
Foreign exchange		105,000	165,000	5,000	-
Interest received		-	(1,000)	-	-
Interest expense		-	45,000	-	-
Waiver of loans owed		-	(110,000)	-	-
Changes in working capital:					
(Increase)/Decrease in trade and other receivables	11	73,000	48,000	40,000	(45,000)
Increase/(Decrease) in trade and other payables		22,000	(442,000)	13,000	(12,000)
Net cash used in operating activities		(984,000)	(1,597,000)	(920,000)	(921,000)
Cash flows from investing activities					
Purchase of property plant and equipment	7	(6,000)	-	-	-
Disposal of property, plant and equipment	7	4,000	-	-	-
Cash expenditure on exploration and evaluation activity	8	(490,000)	(133,000)	-	-
Loan to subsidiaries		-	-	(640,000)	(1,195,000)
Interest received		-	1,000	-	-
Net cash used in investing activities		(492,000)	(132,000)	(640,000)	(1,195,000)
Cash flows from financing activities					
Proceeds from issue of share capital	15	1,641,000	2,842,000	1,641,000	2,842,000
Transaction costs of share issue	15	(121,000)	(299,000)	(121,000)	(299,000)
Cash acquired in reverse acquisition		-	938,000	-	-
Proceeds from borrowings		-	33,000	-	-
Repayment of borrowings		-	(204,000)	-	-
Interest paid		-	(26,000)	-	-
Net cash generated from financing activities		1,520,000	3,284,000	1,520,000	2,543,000
Net increase/(decrease) in cash and cash equivalents		44,000	1,555,000	(40,000)	427,000
Cash and cash equivalents at beginning of year		1,797,000	114,000	1,706,000	1,172,000
Exchange gain on cash and cash equivalents		(65,000)	128,000	(63,000)	107,000
Cash and cash equivalents at end of year	12	1,776,000	1,797,000	1,603,000	1,706,000

CAPITAL METALS PLC

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

1. General information

The principal activity of Capital Metals plc (the 'Company') and its subsidiaries (together the 'Group') is the exploration and development of the Eastern Minerals Project located in the Ampara District of the Eastern Province of Sri Lanka. The Company's shares are listed on AIM of the London Stock Exchange. The Company is incorporated and domiciled in England.

The address of its registered office is Suite 1, 15 Ingestre Place London, W1F 0DU.

2. Summary of significant Accounting Policies

The principal Accounting Policies applied in the preparation of these Consolidated Financial Statements are set out below. These Policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1. Basis of preparation of Financial Statements

These financial statements have been prepared in accordance with International Financial Standards and UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The Financial Statements have also been prepared under the historical cost convention, except as modified for assets and liabilities recognised at fair value on business combination.

The Financial Statements are presented in US Dollars rounded to the nearest dollar. The functional currency of the Company is Pound Sterling.

The preparation of financial statements in accordance with the applicable financial reporting framework requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 4.

Prior year reverse acquisition

On 13 January 2021, the Company completed a reverse acquisition of Capital Metals Limited, a company registered in the British Virgin Islands. Further information about this transaction is disclosed in Note 6.

Although the transaction resulted in Capital Metals Limited becoming a wholly owned subsidiary of the Company, the transaction constitutes a reverse takeover in accordance with Rule 14 of the AIM Rules for Companies as the previous shareholders of Capital Metals Limited own a substantial majority of the Ordinary Shares of the Company and the executive management of Capital Metals Limited became the executive management of Capital Metals Plc, previously Equatorial Palm Oil Plc.

Being a reverse takeover, the legal subsidiary, Capital Metals Limited was treated in consolidation as the accounting acquirer and the legal parent company, Capital Metals Plc, was treated as the accounting subsidiary.

The comparative period for the Group was the year ended 31 March 2021 and included the results of Capital Metals Limited and its subsidiaries only.

2.2. New and amended standards

(a) New and amended standards adopted by the Group and Company

A number of new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) have become effective for the first time for financial periods beginning on (or after) 1 April 2021 and have been applied by the Company and Group in these financial statements. None of these new and amended standards and interpretations had a significant effect on the Company or Group because they are either not relevant to the Company or Group's activities or require accounting which is consistent with the Company or Group's current accounting policies.

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

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

CAPITAL METALS PLC

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

2.3. Basis of Consolidation

These consolidated financial statements comprise the financial statements of Capital Metals Plc and its subsidiaries as at 31 March 2022. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where subsidiaries follow differing accounting policies from those of the Group, those accounting policies have been adjusted to align with those of the Group. Inter-company balances and transactions between Group companies are eliminated on consolidation, though foreign exchange differences arising on inter-company balances between subsidiaries with differing functional currencies is recognised in profit or loss.

2.4. Going concern

These financial statements have been prepared on the going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Strategic Report.

As at 31 March 2022, the Group had cash and cash equivalents of \$1,776,000. The Directors have prepared cash flow forecasts to 31 December 2023, which take account of the cost and operational structure of the Group and Parent Company, planned exploration and evaluation expenditure, licence commitments and working capital requirements. These forecasts indicate that the Group and Parent Company's cash resources are not sufficient to cover the projected expenditure for the period for a period of 12 months from the date of approval of these financial statements. These forecasts indicate that the Group and Parent Company, in order to meet their operational objectives, and meets their expected liabilities as they fall due, will be required to raise additional funds within the next 12 months.

In common with many exploration and evaluation entities, the Company will need to raise further funds within the next 12 months in order to meet its expected liabilities as they fall due, and progress the Group into definitive feasibility and then into construction and eventual production of revenues. The Directors are confident in the Company's ability to raise additional funds as required, from existing and/or new investors, within the next 12 months. The Company has demonstrated its access to financial resources, as evidenced by the successful completion of a Placing in February 2022 with an equity raising of £1,250,000 (\$1,641,000).

Given the Group and Parent Company's current cash position and its demonstrated ability to raise capital, the Directors have a reasonable expectation that the Group and Parent Company has adequate resources to continue in operational existence for the foreseeable future.

Notwithstanding the above, these circumstances indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern and, therefore, that the Group and Parent Company may be unable to realise their assets or settle their liabilities in the ordinary course of business. As a result of their review, and despite the aforementioned material uncertainty, the Directors have confidence in the Group and Parent Company's forecasts and have a reasonable expectation that the Group and Parent Company will continue in operational existence for the going concern assessment period and have therefore used the going concern basis in preparing these consolidated and Parent Company financial statements.

2.5. Segment reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Directors are of the opinion that the Group comprises a single activity being the exploration and evaluation of mineral sand resources in one geographical area in Sri Lanka. As such the financial information of the segment is the same as that set out in the primary statements.

2.6. Foreign currencies

(a) Functional and presentation currency

Items included in the Financial Statements of each 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 UK parent entity is Pound Sterling, the functional currency of the BVI subsidiaries is US Dollars and the functional currency of the Sri Lankan subsidiaries is Sri Lankan Rupee. The Financial Statements are presented in US Dollars which is the Group's presentation 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

CAPITAL METALS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

(c) Group companies

The results and financial position of all the Group 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 period end date presented are translated at the period-end closing rate;
- income and expenses for each Income Statement 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.

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

Exploration and evaluation assets include the cost of acquisition, exploration, determination of resources and recoverable reserves, technical studies, economic feasibility studies and all technical and administrative overheads directly associated with these assets, where a mineral deposit has development potential.

Exploration and evaluation assets which are acquired are recognised at fair value. Capitalised exploration and evaluation expenditure is recorded and held at cost.

The Group performs an impairment test on the exploration and evaluation assets when specific facts and circumstances indicate an impairment test is required, including:

- i) the Group's right to explore in an area has expired, or will expire in the near future without renewal;
- ii) no further exploration or evaluation is planned or budgeted for;
- iii) 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
- iv) sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

If any such facts or circumstances are noted, the Group, as a next step, perform an impairment test in accordance with the provisions of IAS 36 "Impairment of Assets". In such circumstances, the aggregate carrying value of the exploration and assets is compared against the expected recoverable amount of the cash-generating unit. The recoverable amount is the higher of value in use and the fair value less costs to sell. Management considers all licences relating to the Project to represent one asset when undertaking their impairment assessment.

2.8. Investments in subsidiaries

Investments in Group undertakings are stated at cost, which is the fair value of the consideration paid, less any impairment provision.

2.9. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight line basis at the following annual rates:

Computer & office equipment – 3 years
Motor vehicles – 4 years
Field equipment – 5 years
Drilling equipment – 10 years
Furniture & fittings – 5 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

CAPITAL METALS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. If an impairment review is conducted following an indicator of impairment, assets which are not able to be assessed for impairment individually are assessed in combination with other assets within a cash generating unit.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains' in the Income Statement.

2.10. Impairment of non-financial assets

Assets that have an indefinite useful life, for example, intangible assets not ready to use, and goodwill, are not subject to amortisation and are tested annually for impairment. Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11. Financial assets

(a) Recognition and measurement

Management determines the classification of its financial assets at initial recognition, the classification of which depends on the purpose for which the financial assets were acquired.

Financial assets are classified in four categories:

- i) amortised cost;
- ii) fair value through other comprehensive income ("FVOCI") with gains or losses recycled to profit or loss on derecognition;
- iii) FVOCI with no recycling of gains or losses to profit or loss on derecognition; and
- iv) fair value through profit or loss ("FVTPL").

Financial assets are classified as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest

The Group's financial assets comprise cash and receivables which are classified as financial assets at amortised cost. The Company's financial assets comprise cash and loans to subsidiaries, which are classified as financial assets at amortised cost.

The Company accounts for loan receivables at amortised cost as the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. After classification as amortised cost, the financial assets are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

(b) Impairment

Impairment provisions for loans to subsidiaries are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

2.12. Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

CAPITAL METALS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

All financial liabilities are initially recognised at fair value and subsequently measured either as:

- amortised cost using the effective interest method, with interest-related charges recognised as an expense in the income statement; or
- financial liabilities measured at FVTPL, re-measured at subsequent reporting dates to fair value through the income statement.

During the reporting period, the Group's financial liabilities comprised trade and other payables, deferred consideration payable, loans and convertible bonds. The trade and other payables, and loans, are classified at amortised cost.

The deferred consideration payable in respect of the acquisition of the Project is treated as a financial liability measured at FVTPL.

The convertible bonds were assessed to contain an embedded derivative conversion feature and the Group elected to treat the entire instrument as a financial liability measured at FVTPL.

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

2.13. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

2.14. Equity

Equity comprises the following:

- "Share capital" represents the nominal value of the Ordinary shares;
- "Share Premium" represents consideration less nominal value of issued shares and costs directly attributable to the issue of new shares;
- "Other reserves" represents the capital contribution reserve, deferred share reserve, merger reserve, foreign currency translation reserve, reverse acquisition reserve and share option and warrant reserve where;
 - "Merger reserve" represents the difference between the fair value of an acquisition and the nominal value of the shares allotted in a share exchange;
 - "Foreign currency translation reserve" represents the translation differences arising from translating the financial statement items from functional currency to presentational currency;
 - "Reverse acquisition reserve" represents a non-distributable reserve arising on the acquisition of Capital Metals Limited;
 - "Share option and warrant reserve" represents share options and warrants awarded by the group;
 - Capital contribution reserve - represents capital contributed by one or more of the members without taking shares in return or creating a debt.
 - Deferred share reserve – represents shares to be issued upon certain conditions being met.
 - "Retained earnings" represents retained losses.

2.15. Share capital, share premium and deferred shares

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 provided there is sufficient premium available. Should sufficient premium not be available placing costs are recognised in the Income Statement.

Deferred shares are classified as equity. Deferred shares represent shares to be issued upon certain conditions being met. The holders of deferred shares do not have any right to receive written notice of or attend, speak or vote at any general meeting of the Company. As regards income, on any dividend or other distribution of the Company, the holders of deferred shares shall be entitled to payment in priority to any dividend or distribution to the holders of any other class of shares in the Company, £1 in aggregate. Upon any capital distribution of the Company (including upon winding up), the holders of the deferred shares shall be entitled to payment in priority to any distribution to the holders of any other class of shares in the Company, £1 in aggregate. The deferred shares may be cancelled by the Company at any time at its determination for no payment and without obtaining sanction of such holders.

2.16. Share based payments

The Group has granted options over its unissued share capital to certain Directors, management, employees and consultants as part of their remuneration. The fair value of options granted in respect of services provided, is measured at the grant date and recognised as an expense over the vesting period, with a corresponding increase in the Share warrants and options reserve.

The fair value of the share options and warrants are determined using the Black Scholes valuation model or Monte Carlo analysis, as appropriate, taking into account the terms and conditions upon which the warrants or options were issued or granted.

CAPITAL METALS PLC

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

Non-market vesting conditions are included in assumptions about the number of options 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 options are exercised, the Group issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

2.17. Taxation

No current tax is yet payable in view of the losses to date.

Deferred tax is recognised for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets (including those arising from investments in subsidiaries), are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be used.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in 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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply to the period when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are not discounted.

3. Financial risk management

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign currency 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. None of these risks are hedged.

Risk management is carried out by the management team under policies approved by the Board of Directors.

Market risk

(a) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Sri Lankan Rupee (LKR), Australian Dollar (AUD) and the British Pound Sterling (GBP or £). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group negotiates all material contracts for activities in relation to its subsidiaries in either LKR, AUD or USD. The Group does not hedge against the risks of fluctuations in exchange rates. The volume of transactions is not deemed sufficient to enter into forward contracts as most of the foreign exchange movements result from the retranslation of inter company loans. The Group has sensitised the figures for fluctuations in foreign exchange rates, as the Directors acknowledge that, at the

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

present time, the foreign exchange retranslations have resulted in rather higher than normal fluctuations and is predominantly due to the exceptional nature of the LKR exchange rate in the current economic climate.

As at 31 March 2022, the exposure of the Group to foreign exchange rates is summarised as follows:

	Group	Group	Company	Company
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents				
US Dollar	167	131	7	119
Sri Lankan Rupee	13	79	-	-
Pound Sterling	1,596	1,587	1,596	1,587
	1,776	1,797	1,603	1,706
Other receivables				
US Dollar	-	-	-	-
Sri Lankan Rupee	-	3	-	-
Pound Sterling	23	17	8	96
	23	20	8	96
	1,799	1,817	1,611	1,802

As at 31 March 2022, if Sterling had gained or lost 10 per cent. against the USD, the impact on comprehensive loss would have been as follows:

	Group	Group	Company	Company
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Impact on comprehensive loss				
+10% GBP/USD	162	160	160	237
-10% GBP/USD	(162)	(160)	(160)	(237)

As at 31 March 2022, if the Sri Lankan Rupee had gained or lost 10 per cent. against the USD, the impact on comprehensive loss would have been as follows:

	Group	Group	Company	Company
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Impact on comprehensive loss				
+10% LKR/USD	1	8	-	-
-10% LKR/USD	(1)	(8)	-	-

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk relating to the Group's financial assets which comprise principally cash and cash equivalents, arises from the potential default of counterparties. The credit risk on liquid funds is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets represents the maximum credit exposure, which at the reporting date was:

	Group	Group	Company	Company
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	1,776	1,797	1,603	1,706
Trade and other receivables	28	19	57	16
Loan to subsidiaries	-	-	1,835	1,195
	1,804	1,816	3,495	2,917

The expected credit risk for both the Group and the Company was assessed as not material.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

Liquidity risk

In keeping with similar sized mineral exploration groups, 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.

With exception to deferred taxation, financial liabilities are all due within one year.

3.2. Capital risk management

The Directors consider the Group's capital to comprise of share capital and reserves stated on the statement of financial position. The Group manages its capital to ensure the Group will be able to continue on a going concern on a long term basis while ensuring the optimal return to shareholders and other stakeholders through an effective debt and equity balance. No changes were made in the objectives, policies and processes during the current or previous year.

The share capital, including share premium, and reserves totalling \$5,071,000 (2021: \$6,831,000) provides the majority of the working capital required by the Group. Management reviews the capital structure and makes adjustment to it in the light of changes in economic conditions.

4. Critical accounting estimates and judgements

The preparation of the Financial Statements 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 statements and the reported amount of expenses during the period. Actual results may vary from the estimates used to produce these Financial Statements.

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Items subject to such estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, include but are not limited to:

Impairment of intangible assets – exploration and evaluation costs

Management make the judgement as to which costs are directly associated with the exploration and evaluation assets and are to be capitalised, including the allocation of applicable salary and overhead costs.

Exploration and evaluation costs have a carrying value at 31 March 2022 of \$4,556,000 (31 March 2021 \$6,178,000) Such assets have an indefinite useful life as the Group has a right to renew exploration licences and the asset is only amortised once extraction of the resource commences. Management tests for impairment annually whether exploration projects have future economic value in accordance with the accounting policy stated in Note 2.7. Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned during the period warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long term metal prices, anticipated resource volumes and supply and demand outlook. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside a decision will be made to discontinue exploration; an impairment charge will then be recognised in the Income Statement.

DEL Licence (EL168/R/4) expired on 31 October 2020, but is subject to the Group's First IML Application, which has not been granted at the reporting date but subsequently granted post year end. It is noted that the IML's granted post year end were for select areas within license EL168/R/4 and there remains areas within this license which are not covered by an IML.

Whilst there is no certainty that the remaining IML's will be granted, management are of the judgement that there is a reasonable expectation given the Group received approval for two IML's post year end and based on the ongoing discussions with the Geological Survey and Mines Burea that the remaining IMLs will be approved in due course. Given this judgement it was deemed that no impairment test was required to be performed. Should the Group not be successful with the remaining IML applications, then Directors would expect to consider an impairment of the E&E assets.

Intercompany loans

At 31 March 2022 management reassessed the recovery profile of the Parent Company loans granted to subsidiaries and noted the updated project development timetable would mean that it is unlikely that repayments from subsidiaries would commence in the next 12 months and accordingly the loans have been classified as non-current receivables in the current year.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

Prior year reverse acquisition

Management measured the cost of the equity-settled transactions by reference to the fair value of the equity instruments at the measurement date, being the date of completion of the reverse acquisition. The placing price was 12 pence per share and the closing price on re-admission of the Company on 13 January 2021 was 20 pence per share. It was Management's judgement that the closing price of 20 pence per share was considered to be the most appropriate value and therefore it was applied in valuing the investment in Capital Metals Limited at £26,400,000 (\$35,994,000), and in the reverse acquisition accounting for the fair value of the shares deemed to have been issued by Capital Metals Limited of £4,563,000 (\$6,221,000), which resulted in \$5,454,000 being expensed as the deemed cost of acquiring the listing in the prior year.

Share based payment transactions

Management measured the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of shares was determined by the share price at the date of grant. The fair value of options and warrants was determined using Monte Carlo simulations and the Black-Scholes model respectively. Management estimated the number of options that are expected to vest based on the non-market vesting conditions. The valuation of these options and warrants involved making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions are described in more detail in Note 16.

5. Segment information

The Directors are of the opinion that the Group comprises a single activity being the exploration and evaluation of mineral sand resources in one geographical area in Sri Lanka. As such the financial information of the segment is the same as that set out in the primary statements.

6. Prior year reverse acquisition

On 13 January 2021 the Company acquired through a share-for-share exchange the entire issued share capital of Capital Metals Limited. The principal activity of Capital Metals Limited and its subsidiaries is that of exploration, evaluation and development of mineral sands resources in Sri Lanka. Capital Metals Limited is incorporated in the British Virgin Islands.

In substance, the shareholders of Capital Metals Limited acquired a controlling interest in the Company and the transaction has therefore been accounted for as a reverse acquisition. As the Company's activities prior to the transaction were purely the maintenance of the AIM Listing, acquiring Capital Metals Limited and raising additional equity finance to provide the necessary funding for the operations of Capital Metals Limited, it did not meet the definition of a business in accordance with IFRS 3 for the purposes of these consolidated financial statements of the Group.

Accordingly, in these consolidated financial statements, the reverse acquisition did not constitute a business combination and was accounted for in accordance with IFRS 2 "Share-based Payments". Although the reverse acquisition is not a business combination, the Company has become a legal parent and is required to apply IFRS 10 and prepare consolidated financial statements. The Directors have prepared these consolidated financial statements using the reverse acquisition methodology. The difference between the equity value given up by the shareholders of Capital Metals Limited and the share of the fair value of net assets gained is charged to the statement of comprehensive income as a share-based payment on reverse acquisition and represents in substance the cost of acquiring an AIM listing.

In accordance with reverse acquisition accounting principles, these consolidated financial statements represent a continuation of the consolidated statements of Capital Metals Limited and include:

- The assets and liabilities of Capital Metals Limited (and its subsidiaries) at their pre-acquisition carrying value amounts and the results for both current and comparative years.
- The retained earnings and other equity balances of the legal subsidiary (accounting acquirer) before the business combination.
- The assets and liabilities of the Company as at 31 March 2021 and its results from 13 January to 31 March 2021.
- the amount recognised as issued equity interests in the consolidated financial statements determined by adding the issued equity interest of the legal subsidiary (the accounting acquirer) outstanding immediately before the business combination to the fair value of the legal parent (accounting acquiree). However, the equity structure (ie the number and type of equity interests issued) reflects the equity structure of the legal parent (the accounting acquiree), including the equity interests the legal parent issued to effect the combination. Accordingly, the equity structure of the legal subsidiary (the accounting acquirer) is restated using the exchange ratio established in the acquisition

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

agreement to reflect the number of shares of the legal parent (the accounting acquiree) issued in the reverse acquisition

- Comparative information presented in those consolidated financial statements also is retroactively adjusted to reflect the legal capital of the legal parent (accounting acquiree).

On 13 January 2021 the Company issued 132,000,000 Ordinary Shares to acquire the whole of the issued share capital of Capital Metals Limited. The closing share price on re-admission on 13 January 2021 was 20 pence per share. Accordingly, the investment in Capital Metals Limited was valued at £26,400,000 (\$35,994,000). As the Company is a UK registered company, section 612 of the Companies Act 2006 (which deals with merger relief) applies, there will be no legal share premium on the shares issued to effect the combination, but the “premium” on the shares (that is, the difference between the fair value of the consideration and the nominal value of the shares) will be recorded as a “merger reserve”.

The fair value of the shares deemed to have been issued by Capital Metals Limited (accounting acquirer) for Capital Metals Plc (accounting subsidiary) was deemed to be £4,563,000 (\$6,221,000) being the entire issued Ordinary Shares of Capital Metals Plc of 22,813,876 at a price of 20 pence per share.

The fair value of the net assets of Capital Metals Plc at acquisition was as follows:

	\$'000
Cash and cash equivalents	938
Receivables	157
Payables	(328)
Total net assets	767

The difference between the deemed cost of \$6,221,000 and the fair value of the net assets acquired per above of \$767,000 resulted in \$5,454,000 being expensed within “deemed reverse acquisition expenses” in accordance with IFRS 2, reflecting the economic cost to Capital Metals Limited shareholders of acquiring a listing.

The reverse acquisition reserve which arose from the reverse takeover is made up as follows:

	\$'000
Pre-acquisition equity of Capital Metals Plc	(52,574)
Equity at acquisition of Capital Metals Limited	7,672
Value of shares issued to acquire Capital Metals Limited	(35,993)
Deemed reverse acquisition expense	5,454
Total reverse acquisition reserve	(75,441)

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

7. Property, plant and equipment

Group

	Group Total
	\$
Cost	
As at 31 March 2020	126,000
Exchange Differences	(6,000)
Additions	1,000
Disposals	(5,000)
As at 31 March 2021	116,000
As at 1 April 2021	116,000
Exchange Differences	(37,000)
Additions	6,000
Disposals	(4,000)
As at 31 March 2022	81,000
Depreciation	
As at 31 March 2020	54,000
Charge for the year	19,000
Disposals	(2,000)
Exchange differences	(3,000)
As at 31 March 2021	68,000
As at 1 April 2021	68,000
Charge for the year	9,000
Disposals	(4,000)
Exchange differences	(21,000)
As at 31 March 2022	52,000
Net book value as at 31 March 2021	48,000
Net book value as at 31 March 2022	29,000

Depreciation expense of \$9,000 (2021: \$19,000) for the Group has been charged in administration expenses.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

8. Intangible assets

Intangible assets comprise exploration and evaluation costs. The movement on the exploration and evaluation assets was as follows:

	<u>Group</u>
Exploration & Evaluation Assets - Cost and Net Book Value	\$
Cost	
As at 31 March 2020	6,389,000
Additions	133,000
Exchange differences	(344,000)
As at 31 March 2021	6,178,000
Additions	490,000
Exchange differences	(2,112,000)
As at 31 March 2022	4,556,000

All exploration and evaluation assets relate to Group subsidiaries and the Eastern Minerals Project in Sri Lanka.

The Directors undertook an impairment indicators review and none were identified. In performing their review, the Directors noted the following:

- The EML Licence (EL199/R/4) was renewed for a period of 24 months until 23 January 2023.
- DEL Licence (EL430) was issued for a period of 24 months until 13 March 2024.
- Whilst the DEL Licence (EL168/R/4) expired on 31 October 2020, it was subject to the Group's First Industrial Mining Licence ("IML") application and the GSMB has represented to the Group that, following the expiry of an exploration license, the Geological Survey and Mines Burea 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.
 - Exclusivity over the former exploration license area by refraining from accepting applications for any new exploration licenses from third parties.
 - The EIA was approved in November 2021.
 - The IML was approved post year end in August 2022. Please refer to Note 26.
- Significant further exploration and evaluation activity is planned, including a drilling program on EL 199.
- Mineral sands prices remain strong and the Group are continuing off-take discussions following a number of approaches from strategic and industrial groups.

It is noted the IML licenses granted post year end was for select areas within licence EL168/R/4 and there remains areas within this license which are not covered by an IML. Management are of the judgement that there is a reasonable expectation given the Group received approval for two IML's post year end and based on the ongoing discussions with the Geological Survey and Mines Burea that the remaining IMLs will be approved in due course.

Following their assessment, the Directors concluded that no impairment charge was required at 31 March 2022.

CAPITAL METALS PLC

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

9. Investments in subsidiaries

	Company	
	For the year ended 31 March 2022	For the year ended 31 March 2021
	\$	\$
At beginning of period	36,800,000	-
Additions	-	36,368,000
Impairment charge	-	-
Foreign exchange differences	(1,770,000)	432,000
Investment at end of period	35,030,000	36,800,000

Investments in Group undertakings are stated at cost, which is the fair value of the consideration paid, less any impairment provision.

Subsidiaries

Name of subsidiary	Country of incorporation and place of business	Company number	Parent company	Proportion of ordinary shares held by the Group (%)	Nature of business
Capital Metals Limited	British Virgin Islands	1890161	Capital Metals Plc	100%	Holding company
Brighton Metals Limited	British Virgin Islands	1893384	Capital Metals Limited	100%	Holding company
Redgate Lanka (Pvt) Limited	Sri Lanka	119784	Brighton Metals Limited	100%	Holding/Investment
Damsila Exports (Pvt) Limited	Sri Lanka	PV8591	Brighton Metals Limited	4%	Exploration
	Sri Lanka	PV8591	Redgate Lanka (Pvt) Limited	96%	Exploration
Eastern Minerals (Pvt) Limited	Sri Lanka	PV81273	Brighton Metals Limited	1%	Exploration
	Sri Lanka	PV81273	Redgate Lanka (Pvt) Limited	99%	Exploration
Keynes Investment (Pvt) Limited	Sri Lanka	119760	Brighton Metals Limited	100%	Dormant

All subsidiary undertakings are included in the consolidation.

The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

10. Loans to subsidiaries

	Company	
	For the year ended 31 March 2022 \$	For the year ended 31 March 2021 \$
At beginning of period	1,195,000	-
Additions	697,000	1,195,000
Foreign exchange differences	(57,000)	-
Loan at end of period	1,835,000	1,195,000

The fair value of all receivables is the same as their carrying values stated above. The loans are non interest bearing and repayable on demand.

The Directors have assessed that there is no expected credit losses to recognise in respect of the loans to subsidiaries as at the balance sheet date, based on their assessment of the recovery strategies, which indicate that the Company would fully recover the outstanding balance of the loans, given the effective interest rate is Nil%.

At 31 March 2022 Management reassessed the recovery profile of the Parent Company loans to Subsidiaries and note the updated project development timetable would mean that it is unlikely that repayments from subsidiaries would commence in the next 12 months and accordingly the loans have been classified as non-current receivables in the current year.

11. Trade and other receivables

	Group		Company	
	For the year ended 31 March 2022 \$	For the year ended 31 March 2021 \$	For the year ended 31 March 2022 \$	For the year ended 31 March 2021 \$
Current				
Trade receivables	15,000	16,000	57,000	16,000
Prepayments	13,000	2,000	-	-
VAT receivable	8,000	96,000	8,000	96,000
Other receivables	-	1,000	-	-
Total	36,000	115,000	65,000	112,000

The fair value of all receivables is the same as their carrying values stated above.

12. Cash and cash equivalents

	Group		Company	
	For the year ended 31 March 2022 \$	For the year ended 31 March 2021 \$	For the year ended 31 March 2022 \$	For the year ended 31 March 2021 \$
Cash at bank and in hand	1,776,000	1,797,000	1,603,000	1,706,000

All of the UK entities cash at bank is held with institutions with high credit ratings. The Sri Lankan entities cash at bank is held with institutions whose credit rating is unknown. \$3,000 is held as a fixed deposit by Damsila Exports Private Limited.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

13. Trade and other payables

	Group		Company	
	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2022	For the year ended 31 March 2021
	\$	\$	\$	\$
Current				
Trade payables	68,000	47,000	40,000	33,000
Accrued expenses	62,000	63,000	61,000	62,000
Other creditors	-	2,000	-	-
Social security and other taxation	-	1,000	-	-
Deferred consideration	594,000	594,000	-	-
Total current liabilities	724,000	707,000	101,000	95,000
Non-current				
Deferred consideration	600,000	600,000	-	-
Other payables	2,000	-	-	-
Total non-current liabilities	602,000	600,000	-	-

Deferred consideration represents amounts payable in respect of the acquisitions of Damsila Exports (Pvt) Limited and Eastern Minerals (Pvt) Limited. The amounts fall due and payable upon completion of certain milestones within the Group, being for each of Damsila Exports (Pvt) Limited and Eastern Minerals (Pvt) Limited: \$625,000 in cash (recognised at 95% of face value) upon completion of feasibility studies on the relevant project and \$750,000 in cash (recognised at 80% of face value) upon commencement of first commercial production from the relevant project. Management anticipates the completion of the feasibility study to take place within 12 months of the balance date, and accordingly the deferred consideration in respect of this milestone is classified as a current liability.

At the reporting period end, the probability estimated for the likelihood of completion of Tranche 2 and 3 was considered, and management continue to estimate 95% probability for Tranche 2 and 80% probability for Tranche 3. If these estimates prove incorrect then the amounts payable in respect of the acquisition may be different to those stated within the financial statements. The total deferred consideration payable if all milestones are achieved would be \$1,375,000. The value of deferred consideration payable as at 31 March 2022 was \$1,194,000.

14. Financial Instruments by Category

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair value.

Group

	31 March 2022		31 March 2021	
	Amortised cost	Total	Amortised cost	Total
Assets per Statement of Financial Performance	\$	\$	\$	\$
Trade and other receivables	15,000	15,000	20,000	20,000
Cash and cash equivalents	1,776,000	1,776,000	1,797,000	1,797,000
	1,791,000	1,791,000	1,817,000	1,817,000

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

	31 March 2022			31 March 2021		
	Amortised cost	Fair value through profit and loss	Total	Amortised cost	Fair value through profit and loss	Total
Liabilities per Statement of Financial Performance	\$	\$	\$	\$	\$	\$
Trade and other payables	130,000	-	130,000	113,000	-	113,000
Deferred consideration	-	594,000	594,000	-	1,194,000	1,194,000
	130,000	594,000	724,000	113,000	1,194,000	1,307,000

Company

	31 March 2022		31 March 2021	
	Amortised cost	Total	Amortised cost	Total
Assets per Statement of Financial Performance	\$	\$	\$	\$
Trade and other receivables (excluding prepayments)	65,000	65,000	17,000	17,000
Loans to subsidiaries	1,835,000	1,835,000	1,195,000	1,195,000
Cash and cash equivalents	1,603,000	1,603,000	1,706,000	1,706,000
	3,503,000	3,503,000	2,918,000	2,918,000

	31 March 2022		31 March 2021	
	Amortised cost	Total	Amortised cost	Total
Liabilities per Statement of Financial Performance	\$	\$	\$	\$
Trade and other payables	101,000	101,000	95,000	95,000
	101,000	101,000	95,000	95,000

15. Share capital and premium

Group and Company	Number of shares		Share capital	
	No.	Nominal value	£	\$
Ordinary shares	189,103,432	0.0020	378,000	510,000
Deferred shares	356,277,502	0.0099	3,527,000	5,552,000
Total	545,380,934		3,905,000	6,062,000

Issued at 0.02 pence per share	Number of Ordinary shares	Share capital \$	Share premium \$	Total \$
As at 31 March 2021	172,436,766	467,000	47,470,000	47,937,000
Issue of new shares – 9 February 2022	16,666,666	43,000	1,598,000	1,641,000
Cost of capital – 16 February 2022	-	-	(121,000)	(121,000)
As at 31 March 2022	189,103,432	510,000	48,947,000	49,457,000

Deferred Shares (nominal value of 0.0099 pence per share)	Number of Deferred shares	Share capital \$
As at 31 March 2021	356,277,502	5,552,000
As at 31 March 2022	356,277,502	5,552,000

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

16. Share based payments

Options

The Company has established a share option scheme for Directors, employees and consultants to the Group. Share options outstanding and exercisable at the end of the period have the following expiry dates and exercise prices:

Grant Date	Vesting Date	Exercise price	Exercise price hurdle	Expiry Date	Options	
					31 March 2022	31 March 2021
13/01/2021	13/01/2021	12.0p	18.0p	13/01/2026	3,916,667	3,916,667
13/01/2021	13/07/2021	12.0p	18.0p	13/01/2026	3,916,667	3,916,667
13/01/2021	13/01/2022	12.0p	24.0p	13/01/2026	3,916,666	3,916,666
15/09/2021	15/09/2025	12.0p	-	15/09/2025	500,000	-
					12,250,000	11,750,000

The Company and Group have no legal or constructive obligation to settle or repurchase the options or warrants in cash.

The fair value of the share options was determined using Black Scholes and Monte Carlo valuation models. Black Scholes was used for the options granted in September 2021 and Monte Carlo used for the options granted in January 2021 given that these options had specific market hurdles. The parameters used are detailed below:

	2021 Options	2022 Options
Granted on:	13 January 2021	15 September 2021
Estimated Life (years)	5 years	4 years
Share price (pence per share)	19.05p*	9.75p
Risk free rate	1.05%	1.71%
Expected volatility	120%	47.88%
Total fair value (\$000)	1,459,000	1,000

* This is the volume weighted average share price. In determining the expected volatility, consideration is usually given to the historical company volatility. However, given prior to 13 January 2021 the Company was operating as an investment vehicle, as opposed to a mineral sands company, as such the future share price volatility pattern of the Company, will be materially different from the historic volatility. It has been deemed appropriate to use the median 5-year monthly volatility of a basket of listed comparable companies with exposure to mineral sands.

The expected volatility of the options granted during this financial year is based on the median 4-year volatility of a basket of listed comparable companies with exposure to mineral sands.

The risk-free rate of return is based on zero yield government bonds for a term consistent with the option life.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

A reconciliation of options granted over the year to 31 March 2022 is shown below:

	31 March 2022		31 March 2021	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding at beginning of period	11,750,000	12.0p	-	-
Expired	-	-	-	-
Exercised	-	-	-	-
Granted	500,000	12.0p	11,750,000	12.0p
Outstanding as at period end	12,250,000		11,750,000	
Exercisable at period end	7,833,333		3,916,667	

The tranche of 3,916,667 options only vests if the share price hits a 100% premium to the exercise price and therefore given this condition was not met at year end have been deemed not exercisable.

The options outstanding at 31 March 2022 have a weighted average contractual life of 3.8 years (2021: 4.8 years).

The options issued during the prior year were all granted on 13 January 2021 and vest in three tranches of one-third on 13 January 2021 ("Tranche 1"), one-third on 13 July 2021 ("Tranche 2") and one-third on 13 January 2022 ("Tranche 3"). Tranche 1 and Tranche 2 have a market based vesting condition (i.e. the Company's shares having traded any time following Admission at a 50% premium to the exercise price). Tranche 3 has a market based vesting condition (i.e. the Company's shares having traded any time following Admission at a 100% premium to the exercise price).

During the period there was a charge of \$721,000 (2021: \$768,000) in respect of share options.

Warrants

As at 31 March 2022, there were 18,275,904 warrants outstanding by the Company (2021: 17,442,571).

Grant Date	Exercise price	Expiry Date	Warrants	
			31 March 2022	31 March 2021
08/09/2020*	£0.080	08/09/2023	250,000	250,000
13/01/2021**	£0.080	13/01/2024	5,000,000	5,000,000
13/01/2021**	£0.120	13/01/2024	833,333	833,333
13/01/2021**	£0.156	13/01/2024	8,687,499	8,687,499
13/01/2021***	£0.156	13/01/2024	2,423,848	2,423,848
05/02/2021***	£0.156	13/01/2024	247,891	247,891
15/02/2022****	£0.075	15/02/2025	833,333	-
			18,275,904	17,442,571

The fair value of the warrants was determined using the Black Scholes model. The parameters used are detailed below:

	2020 Warrants	2021 Warrants	2021 Warrants	2022 Warrants
Granted on:	8 September 2020	13 January 2021	5 February 2021	15 February 2022
Life (years)	3 years	3 years	3 years	3 years
Price at grant	13.2p	20.0p	18.5p	7.75p
Risk free rate	0.20%	0.46%	0.45%	1.71%
Volatility	75%	68.03%	72.53%	88.90%

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

*The estimated fair value of the 250,000 warrants granted on 8 September 2020 was assessed as \$25,000, and charged to the share premium account to recognise the cost of issuing the warrants. The expected volatility was determined by reference to the historical volatility of the Company's share price.

**The estimated fair value of the 14,520,832 warrants granted on 13 January 2021 to placing subscribers and advisers was assessed as \$2,295,000, which was charged to the share premium account to recognise the cost of issuing the warrants.

***The estimated fair value of the 2,423,848 warrants granted on 13 January 2021, and the 247,891 warrants granted on 5 February 2021, to the former holders of CML convertible bonds was assessed as \$342,000 and \$32,000 respectively. The assessed fair value of these warrants was capitalised to the investment in CML within the Company's accounts, and recognised as a share based payments expense within the consolidated financial statements.

In determining the expected volatility, consideration is usually given to the historical company volatility. However, given prior to 13 January 2021 the Company was operating as an investment vehicle, as opposed to a mineral sands company, as such the future share price volatility pattern of the Company, will be materially different from the historic volatility. It has been deemed appropriate to use the median 5-year monthly volatility of a basket of listed comparable companies with exposure to mineral sands

****The estimated fair value of the warrants granted on 15 February 2022 was assessed as \$13,000, and charged to the share premium to recognise the cost of issuing the warrants. The expected volatility was determined by reference to the historical volatility of the Company's share price.

17. Other reserves

Group

	Capital contribution reserve	Deferred share reserve	Merger reserve	Reverse acquisition reserve	Share warrants and options reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$	\$
At 31 March 2020	1,250,000	1,969,000	-	(45,859,000)	281,000	(1,155,000)	(43,514,000)
Other comprehensive income	-	-	-	-	-	167,000	167,000
Cancellation of options	-	-	-	146,000	(282,000)	-	(136,000)
Reverse acquisition	-	-	35,633,000	(29,728,000)	(25,000)	-	5,880,000
Issue of share warrants	-	-	-	-	2,694,000	-	2,694,000
Issue of options	-	-	-	-	768,000	-	768,000
At 31 March 2021	1,250,000	1,969,000	35,633,000	(75,441,000)	3,436,000	(988,000)	(34,141,000)
At 1 April 2021	1,250,000	1,969,000	35,633,000	(75,441,000)	3,436,000	(988,000)	(34,141,000)
Currency translation differences	-	-	-	-	-	(2,100,000)	(2,100,000)
Share based payments	-	-	-	-	734,000	-	734,000
At 31 March 2022	1,250,000	1,969,000	35,633,000	(75,441,000)	4,170,000	(3,088,000)	(35,507,000)

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

Company

	Merger reserve \$	Share warrants and options reserve \$	Foreign currency translation reserve \$	Total \$
At 30 September 2020	-	25,000	(1,086,000)	(1,061,000)
Other comprehensive income	-	-	511,000	511,000
Issue of shares to acquire CML	35,634,000	-	-	35,634,000
Issue of share warrants	-	2,669,000	-	2,669,000
Issue of options	-	768,000	-	768,000
At 31 March 2021	35,634,000	3,462,000	(575,000)	(38,521,000)
At 1 April 2021	35,634,000	3,462,000	(575,000)	(38,521,000)
Currency translation differences	-	-	(1,841,000)	(1,841,000)
Share based payments	-	734,000	-	734,000
At 31 March 2022	35,634,000	4,196,000	(2,416,000)	(37,414,000)

18. Employee benefit expense

	Group		Company	
	Year ended 31 March 2022 \$	Period ended 31 March 2021 \$	Year ended 31 March 2022 \$	Period ended 31 March 2021 \$
Staff costs (excluding Directors)				
Salaries and wages	10,000	6,000	-	-
Social security costs	-	-	-	-
Other employment costs	5,000	3,000	-	-
	15,000	9,000	-	-

The average monthly number of employees for the Group during the year was 15 (period ended 31 March 2021: 13) and the average monthly number of employees for the Company was 6 (period ended 31 March 2021: 6).

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

19. Directors' and Key Management remuneration

	Salaries & fees	Share based payments	Year ended 31 March 2022	Year ended 31 March 2021
	\$	\$	\$	\$
Executive Directors				
Michael Frayne	205,000	-	205,000	380,000
Gregory Martyr	52,000	-	52,000	189,000
Anthony Samaha	57,000	-	57,000	156,000
Non-executive Directors				
James Leahy	36,000	-	36,000	102,000
Geoffrey Brown	22,000	-	22,000	35,000
Teh Kwan Wey	20,000	-	20,000	36,000
Key Management				
Iranga Dunuwille	62,000	-	62,000	138,000
Compensation for loss of office	-	-	-	21,000
	454,000	-	454,000	1,057,000

As at 31 March 2022, there were no directors receiving defined contribution pension schemes benefits (2021: Nil).

Of the above costs, \$37,000 (period ended 31 March 2021: \$Nil) has been capitalised in accordance with IFRS 6 as exploratory related costs and are shown as an intangible addition in the year.

Details of fees paid to Companies of which the Directors detailed above are Directors have been disclosed in Note 24.

The remuneration of Directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

20. Income tax expense

No charge to taxation arises due to the losses incurred.

The tax on the Group's loss before tax, applicable to the losses of the consolidated entities, is as follows:

	Group	
	For the year ended 31 March 2022	For the year ended 31 March 2021
	\$	\$
Loss before tax	(1,914,000)	(7,886,000)
Tax at the applicable rate of 19% (2021: 19%)	(364,000)	(1,498,000)
Effects of:		
Expenditure not deductible for tax purposes	138,000	1,309,000
Deferred tax asset not recognised	226,000	189,000
Tax charge	-	-

No deferred tax assets have been recognised in the year (2021: nil).

The UK corporation tax throughout 2021 and 2022 was 19%.

The Company has tax losses of approximately \$10,493,000 (31 March 2021: \$9,300,000) available to carry forward against future taxable profits.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

21. Loss per share

Group

The calculation of the total basic loss per share of (0.36) cents (2021: (5.61) cents) is based on the total comprehensive loss attributable to equity holders of the parent company of \$1,914,000 (2021: \$7,886,000) and on the weighted average number of ordinary shares of 531,043,035 (2021: 140,667,918) in issue during the year.

In accordance with IAS 33, basic and diluted earnings per share are identical for the Group as the effect of the exercise of share options would be to decrease the earnings per share. Details of share options that could potentially dilute earnings per share in future periods are set out in Note 16.

22. Expenses by nature

	Group	
	Year ended 31 March 2022 \$	Year ended 31 March 2021 \$
Director fees & employment tax contributions	355,000	382,000
Employee salaries	15,000	9,000
Audit	61,000	66,000
Accountancy	155,000	26,000
Exchange related costs	154,000	51,000
Professional & consultancy fees	219,000	171,000
Office expenses	91,000	44,000
Insurance	19,000	22,000
Depreciation	9,000	19,000
Travel & entertainment	24,000	19,000
Acquisition related costs	34,000	300,000
Other expenses	58,000	323,000
Total administrative expenses	1,194,000	1,432,000

Services provided by the Company's auditor and its associates

During the year, the Group (including overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

	Group	
	Year ended 31 March 2022 \$	Year ended 31 March 2021 \$
Fees payable to the Company's auditor and its associates for the audit of the Parent Company and Consolidated Financial Statements	61,000	66,000

CAPITAL METALS PLC

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

23. Commitments

License commitments

Capital Metals plc through its subsidiaries owns two mineral exploration licenses and two IMLs in Sri Lanka. These licences include commitments to pay annual licence fees and minimum spend requirements.

As at 31 March 2022 these are as follows:

Group	Group		Total \$
	License fees \$	Minimum spend requirement \$	
Not later than one year	-	-	-
Later than one year and no later than five years	54,000	54,000	54,000
Total	54,000	54,000	54,000

24. Related party transactions

Loans to Group undertakings

Amounts receivable as a result of loans granted to subsidiary undertakings are as follows:

	Company	
	31 March 2022 \$	31 March 2021 \$
Brighton Metals Limited	783,000	240,000
Capital Metals Limited	918,000	955,000
Damsila Exports Private Ltd	134,000	-
At 31 March 2022	1,835,000	1,195,000

These amounts are unsecured and repayable in US Dollars on demand from the Company.

All intra Group transactions are eliminated on consolidation.

Other transactions

The Group defines its key management personnel as the Directors of the Company as disclosed in the Directors' Report.

Limerston Pty Limited, a limited company of which Michael Frayne is a director, was paid a fee of \$205,000 for the year ended 31 March 2022 (31 March 2021: \$44,000) for the provision of corporate management and consulting services to the Company. There was a balance of \$Nil owing at year end (31 March 2021: \$Nil).

Santannos Limited, a limited company of which Anthony Samaha is a director, was paid a fee of \$17,000 for the year ended 31 March 2022 (31 March 2021: \$49,000) for consulting services to the Company. There was a balance of \$Nil owing at year end (31 March 2021: \$Nil).

Hogan's Bluff Capital Pty Ltd, a limited company of which Greg Martyr is a director, was paid a fee of \$53,000 for the year ended 31 March 2022 (31 March 2021: \$95,000) for consulting services to the Company. There was a balance of \$Nil owing at year end (31 March 2021: \$Nil).

KL-Kepong International Ltd, a limited company of which is fully owned by Kuala Lumpur Kepong Berhad Ltd of which Teh Kwan Wey is an employee of, was paid a fee of \$20,000 for the year ended 31 March 2022 (31 March 2021: \$Nil) for consulting services to the Company. There was a balance of \$Nil owing at year end (31 March 2021: \$Nil).

25. Ultimate controlling party

The Directors believe there is no ultimate controlling party.

CAPITAL METALS PLC

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

26. Events after the reporting date

On the 10 August 2022 the Geological Survey and Mines Bureau of the Government of Sri Lanka granted the first two Industrial Mining Licences for the Project.