

21 December 2022

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION AS STIPULATED UNDER THE UK VERSION OF THE MARKET ABUSE REGULATION NO 596/2014 WHICH IS PART OF ENGLISH LAW BY VIRTUE OF THE EUROPEAN (WITHDRAWAL) ACT 2018, AS AMENDED. ON PUBLICATION OF THIS ANNOUNCEMENT VIA A REGULATORY INFORMATION SERVICE, THIS INFORMATION IS CONSIDERED TO BE IN THE PUBLIC DOMAIN.

Capital Metals plc

("Capital Metals" or the "Company")

Unaudited Interim Results for the Six Months Ended 30 September 2022

Capital Metals (AIM: CMET), a mineral sands company approaching mine development stage at the high-grade Eastern Minerals Project in Sri Lanka (the "Project"), announces its unaudited results for the six months ended 30 September 2022 (the "Half Year").

Highlights

- Cash balance of \$812,246 as at 30 September 2022
- Released results of auger drilling programme in April 2022 which delivered exceptional high grades:
 - All results from surface to a maximum of only 3.5m depth (with an average depth 1.5m) ended in mineralisation
 - +30% Total Heavy Minerals ("THM") and average grade of 19.37% THM from 560 drill holes, compared to existing JORC resource grade of 17.6%
- Completion of Development Study and Project Economics in May 2022 demonstrating robust economics with a base case NPV of \$155 million and IRR of 56%
- Grant of the first two Industrial Mining Licences ("IMLs") in August 2022 – subsequently purportedly temporarily suspended in December 2022 by the GSMB pending an investigation into the Company's ownership structure, which the Company has been advised is legally sound
- Continued positive discussions with a prospective offtaker and strategic partners with the objective that such parties will form a significant part of the future capex funding package
- Continued work with local communities including sponsorship of educational, sporting and community cleaning initiatives

Chairman's Report

I am pleased to present the half year results for the six months ended 30 September 2022.

The most significant event in the Half Year was the granting in August 2022 of our Project's first two Industrial Mining Licences ("IMLs") by the Geological Survey and Mines Bureau of the Government of Sri Lanka ("GSMB"). Significant work went into that process, including the approval of the EIA in November 2021 and these first IMLs importantly provide a basis for the granting of further IMLs in due course.

The IMLs were a major step forward both towards 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 a prospective offtaker and strategic partners. To that end, we are in advanced discussions with some large organisations with our expectation that any agreement would contribute capital to help fund the development of the Project.

While our Board and local management team continues to monitor the economic and political developments in Sri Lanka, we are pleased to observe that Sri Lanka's economic situation appears to be improving and a normal operating environment in respect of fuel and other key supplies appears to have been restored. Undoubtedly, there is widespread support both within the Sri Lankan government and local communities for the progression of the Project and the benefits it will bring to all stakeholders.

Significant workstreams in addition to the granting of the IMLs during the Half Year included:

- The publication of results from the auger drilling programme which commenced in October 2021 and delivered exceptional higher grades. All results were from surface to a maximum of only 3.5m depth (with an average depth 1.5m) and ended in mineralisation. Exceptional high-grade results of +30% Total Heavy Minerals ("THM") and average grade of 19.37% THM from 560 drill holes were recorded, compared to the existing JORC resource grade of 17.6%, indicating the potential for both volume and grade increases.
- 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.

Subsequent to the period end, we were extremely surprised to receive a notice from the GSMB to the Company's Sri Lankan subsidiary Damsila Exports Pvt Limited ("Damsila") that they consider it necessary for the current shareholding structure of

Damsila to have been approved by the Board of Investment of Sri Lanka (BOI) and that as Damsila has not obtained such approval they will be carrying out proper investigations regarding the ownership structure of Damsila, and that in the meantime the two IMLs which were issued to Damsila are temporarily suspended. Capital Metals has been working with the GSMB to clarify any concerns around the structure, which was set up in 2016 and has been made clear to the GSMB throughout its mutual dealings, including the applications and granting of the Company's exploration licences, environmental permits (EIA) and the IMLs themselves. There appears to be some uncertainty within the GSMB (and perhaps the BOI) around the application of the Foreign Exchange Act of Sri Lanka that governs investment in shares in companies incorporated in Sri Lanka by non-residents. Damsila, is a subsidiary company of a Sri Lanka resident company, Redgate Lanka (Pvt) Limited. The ultimate parent of Redgate is Capital Metals. The Company has made several submissions to the GSMB and relevant authorities based on the advice of its well regarded in country legal counsel, Varners, which has provided its opinion to the Company that the current shareholding structure of Damsila is in conformity with the Regulations published under the Foreign Exchange Act and that BOI approval is not required by Damsila for the issuance of shares to Redgate which is a company incorporated in Sri Lanka even though its ultimate parent is Capital Metals. The Company will continue discussions in a cooperative manner with the relevant Sri Lankan Government authorities to resolve this issue as soon as possible.

Our immediate focus remains on having the temporary suspension of the IMLs lifted, finalising offtake discussions, concluding local land agreements and the lease agreement for Oluvil Port, the granting of additional IMLs and further refining the technical, engineering, and economic aspects of the Project in preparation for construction. Our exploration team continues to develop its programmes to extend the high-grade resource. We have 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 excited about the potential to expand our resource.

The Company continues its close involvement in the community in the Ampara District of the Eastern Province. During the Half Year, community initiatives included the sponsorship of a children's art programme, local cricket tournaments and the community cleaning of a local temple. As part of our beach cleaning programme, we are also in discussions with local authorities to supply and install bins for proper waste management in the Project area.

In conclusion, considering the compelling market dynamics for our minerals, the advanced stage of our Project, the attractive economics and the potential for further expansion of our high-grade resource, we believe Capital Metals represents an exceptional investment prospect. Further, the Company also announces that Tavira Financial has been appointed as the Company's sole broker with WH Ireland Limited no longer acting as the Company's broker with immediate effect.

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.

Greg Martyr
Non-Executive Chairman
21 December 2022

For further information, please visit www.capitalmetals.com or contact:

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Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	6 months to 30 September 2022 Unaudited \$	6 months to 30 September 2021 Unaudited \$
Continuing operations			
Revenue		-	-
Administration expenses		(382,400)	(1,123,697)
Foreign exchange		1,681	(73,241)
Operating loss		(380,719)	(1,196,938)
Finance income		2,531	110
Loss before income tax		(378,188)	(1,196,828)
Income tax		-	-
Loss for the period		(378,188)	(1,196,828)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		(1,064,932)	52,184
Total comprehensive loss for the period		(1,443,120)	(1,144,644)
Basic and diluted	5	(0.069)p	(0.216)p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2022 Unaudited \$	As at 31 March 2022 Audited \$	As at 30 September 2021 Unaudited \$
Non-Current Assets				
Property, plant and equipment		23,396	28,541	42,961
Intangible assets	6	4,061,939	4,556,210	6,333,401
		4,085,335	4,584,751	6,376,362
Current Assets				
Trade and other receivables		61,475	36,160	148,832
Cash and cash equivalents		812,246	1,775,754	1,199,612
		873,721	1,811,914	1,348,444
Total Assets		4,959,056	6,396,665	7,724,806
Non-Current Liabilities				
Trade and other payables		600,000	602,274	600,000
		600,000	602,274	600,000
Current Liabilities				
Trade and other payables		731,711	723,926	847,180
		731,711	723,926	847,180
Total Liabilities		1,331,711	1,326,200	1,447,180
Net Assets		3,627,345	5,070,465	6,277,626
Capital and Reserves Attributable to Equity Holders of the Company				
Share capital		6,062,403	6,062,403	6,018,628
Share premium		48,946,676	48,946,676	47,469,912
Capital contribution and contingent shares		3,218,750	3,218,750	3,218,750
Other reserves		(39,790,729)	(38,725,797)	(36,715,612)
Retained losses		(14,809,755)	(14,431,567)	(13,714,052)
Total Equity		3,627,345	5,070,465	6,277,626

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to owners of the Parent						
	Note	Share capital \$	Share premium \$	Capital contribution and contingent shares \$	Other reserves \$	Retained losses \$	Total equity \$
Balance as at 1 April 2021		6,018,628	47,469,912	3,218,750	(37,359,486)	(12,517,224)	6,830,580
Loss for the period		-	-	-	-	(1,196,828)	(1,196,828)
Other comprehensive income for the period		-	-	-	52,184	-	52,184
Total comprehensive income/(loss) for the period		-	-	-	52,184	(1,196,828)	(1,144,644)
Share option expense		-	-	-	591,690	-	591,690
Total transactions with owners, recognised in equity		-	-	-	591,690	-	591,690
Balance as at 30 September 2021		6,018,628	47,469,912	3,218,750	(36,715,612)	(13,714,052)	6,277,626
Balance as at 1 April 2022		6,062,403	48,946,676	3,218,750	(38,725,797)	(14,431,567)	5,070,465
Loss for the period		-	-	-	-	(378,188)	(378,188)
Other comprehensive loss for the period		-	-	-	(1,064,932)	-	(1,064,932)
Total comprehensive loss for the period		-	-	-	(1,064,932)	(378,188)	(1,443,120)
Total transactions with owners, recognised in equity		-	-	-	-	-	-
Balance as at 30 September 2022		6,062,403	48,946,676	3,218,750	(39,790,729)	(14,809,755)	3,627,345

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 months to 30 September 2022 Unaudited \$	6 months to 30 September 2021 Unaudited \$
Cash flows from operating activities			
Loss before taxation		(378,188)	(1,196,828)
Adjustments for:			
Share based payments		-	591,689
Depreciation		3,196	15,053
Interest income		(2,518)	(110)
(Increase)/Decrease in trade and other receivables		(25,823)	1,306
Increase in trade and other payables		6,017	104,236
Foreign exchange		46,117	49,499
Net cash used in operations		(351,199)	(435,155)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,376)	(10,314)
Exploration and evaluation activities	6	(368,585)	(152,348)
Interest received		2,518	110
Net cash used in investing activities		(369,443)	(162,552)
Cash flows from financing activities			
Net cash generated from financing activities		-	-
Net decrease in cash and cash equivalents		(720,642)	(597,707)
Exchange differences on cash		(242,866)	-
Cash and cash equivalents at beginning of period		1,775,754	1,797,319
Cash and cash equivalents at end of period		812,246	1,199,612

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. General Information

Capital Metals plc is a mineral exploration company with its shares admitted to trading on the AIM Market of the London Stock Exchange.

The Company is domiciled in the United Kingdom and incorporated and registered in England and Wales, with registration number 05555087. The Company's registered office is Suite 1, 15 Ingestre Place, London, W1F 0DU.

2. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies. As permitted, the Company has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing this interim financial information. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2022, which have been prepared in accordance with UK adopted international accounting standards.

The interim financial information set out above does not constitute statutory accounts within the meaning of the Companies Act 2006. It has been prepared on a going concern basis in accordance with the recognition and measurement criteria of UK adopted international accounting standards.

Statutory financial statements for the year ended 31 March 2022 were approved by the Board of Directors on 23 September 2022 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified with a material uncertainty in relation to the Company's ability to continue as a going concern. The condensed interim financial statements are unaudited and have not been reviewed by the Company's auditor.

Going concern

These financial statements have been prepared on the going concern basis. Given the Group's current cash position and its demonstrated ability to raise capital, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting preparing the condensed interim financial statements for the period ended 30 September 2022.

Notwithstanding the above, 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.

The factors that were extant at 31 March 2022 are still relevant to this report and as such reference should be made to the going concern note and disclosures in the 2022 Annual Report and Financial Statements ("2022 Annual Report").

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Company's medium term performance and the factors that mitigate those risks have not substantially changed from those set out in the 2022 Annual Report, a copy of which is available on the Company's website: www.capitalmetals.com. The key financial risks are liquidity risk, credit risk, market risk and fair value estimation.

Critical accounting estimates

The preparation of condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in Note 2 the 2022 Annual Report. The nature and amounts of such estimates have not changed significantly during the interim period.

3. Accounting Policies

Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed interim financial statements as were applied in the preparation of the Company's annual financial statements for the year ended 31 March 2022.

3.1 Changes in accounting policy and disclosures

(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 2022 and have been applied by the Company and Group in these interim 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.

(b) 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.

4. Dividends

No dividend has been declared or paid by the Company during the six months ended 30 September 2022 (six months ended 30 September 2021: \$nil).

5. Loss per Share

The calculation of loss per share is based on a retained loss of \$378,188 for the six months ended 30 September 2022 (six months ended 30 September 2021: \$1,196,828) and the weighted average number of shares in issue in the period ended 30 September 2022 of 545,380,934 (six months ended 30 September 2021: 528,714,268).

No diluted earnings per share is presented for the six months ended 30 September 2022 or six months ended 30 September 2021 as the effect on the exercise of share options would be to decrease the loss per share.

6. Intangible fixed assets

The movement in capitalised exploration and evaluation costs during the period was as follows:

Exploration & Evaluation at Cost and Net Book Value	\$
Balance as at 1 April 2022	4,556,210
Additions	368,585
Foreign exchange	(862,856)
As at 30 September 2022	4,061,939

7. Events after the balance sheet date

Subsequent to the period end, we were extremely surprised to receive a notice from the GSMB to the Company's Sri Lankan subsidiary Damsila Exports Pvt Limited ("Damsila") that they consider it necessary for the current shareholding structure of Damsila to have been approved by the Board of Investment of Sri Lanka (BOI) and as Damsila has not obtained such approval they will be carrying out proper investigations regarding the ownership structure of Damsila, and that in the meantime the two IMLs which were issued to Damsila are temporarily suspended. Capital Metals has been working with the GSMB to clarify any concerns around the structure, which was set up in 2016 and has been made clear to the GSMB throughout its mutual dealings, including the applications and granting of the Company's exploration licences, environmental permits (EIA) and the IMLs themselves. There appears to be some uncertainty within the GSMB (and perhaps the BOI) around the application of the Foreign Exchange Act of Sri Lanka that governs investment in shares in companies incorporated in Sri Lanka by non-residents. Damsila, is a subsidiary company of a Sri Lanka resident company, Redgate Lanka (Pvt) Limited. The ultimate parent of Redgate is Capital Metals. The Company has made several submissions to the GSMB and relevant authorities based on the advice of its well regarded in country legal counsel, Varners, which has provided its opinion to the Company that the current shareholding structure of Damsila is in conformity with the Regulations published under the Foreign Exchange Act and that BOI approval is not required by Damsila for the issuance of shares to Redgate which is a company incorporated in Sri Lanka even though its ultimate parent is Capital Metals. The Company will continue discussions in a cooperative manner with the relevant Sri Lankan Government authorities to resolve this issue as soon as possible.

8. Approval of interim financial statements

The Condensed interim financial statements were approved by the Board of Directors on 21 December 2022.

9. Availability of interim financial statements

Copies of these interim financial statements are available from the Capital Metals website at www.capitalmetals.com.