

20 December 2021

CAPITAL METALS PLC
(“CMET” or the “Company”)
Unaudited Interim Results for the Six Months ended 30 September 2021

Capital Metals plc (AIM:CMET), a natural resources company focused on the development of the Eastern Minerals Project in Sri Lanka (“the Project”), one of the highest-grade mineral sands’ projects globally, is pleased to announce its unaudited interim results for the six months ended 30 September 2021 and to provide an update on the Company’s progress on the Projects post the half year end.

Highlights

- Cash balance of \$1,199,612 as at 30 September 2021
- EIA Approved
- Drilling Programme at southern license
- Richard Stockwell appointment as Technical Manager
- IHC Mining progressing Development Study
- James Mahony appointed as Chief Financial Officer

Greg Martyr, Chairman of Capital Metals, commented:

“This has been a transformational period for Capital Metals culminating in the award of our Environmental Impact Assessment Permit (“EIA”) on 22 November 2021, despite the significant difficulties experienced in Sri Lanka during the COVID-19 pandemic.

The obtaining of the EIA demonstrates the Sri Lankan authorities’ support for the Project and should enable us to meet our target of commencing commercial production in less than 12 months’ time.

To that end, our management team is now focused on securing the First Industrial Mining License which we expect to receive in Q1 2022. In addition, the timing of the EIA could not be better given the recent strengthening of mineral sands pricing and a positive medium-term outlook.

We look forward to providing further updates as we progress key milestones.”

Chairman’s review of year to date

The Company recently announced the approval of the Environmental Impact Assessment Permit (“EIA”).

The Coast Conservation and Coastal Resources Management Department in Sri Lanka (“CCD”) advised the EIA process is complete and issued a development activity permit to one of the Company’s subsidiary companies in Sri Lanka, Damsila Export (Pvt) Limited, which covers the northern half of the Project (“the Permit”). The completion of the EIA is required by the Geographical Survey and Mines Bureau of Sri Lanka (“GSMB”) in order to issue the Industrial Mining License (“First IML”) for the Project. The Permit is the standard form development permit issued by the CCD and will be reviewed annually by the CCD to ensure ongoing compliance with the Project’s environmental obligations.

The grant of the EIA had taken longer than we had hoped given strict COVID-19 lock down measures in Sri Lanka, however, our colleagues in Sri Lanka worked closely with the CCD to expedite the issue of the EIA once restrictions were adequately lifted.

Capital Metals is committed to applying best practice in its mining operations, including continuous post mining rehabilitation. The proposed method of cell mining aims to ensure a minimal active footprint and prompt rehabilitation of the mined areas. Planned operations will have appropriate buffer and exclusion zones identified as a result of the EIA study, which went through a stringent public and governmental review process.

The Company is already working with the local communities to improve the quality of their lives through various programs and believes it is crucial to ensure employees and the people of the Eastern Province participate in the long-term success of the Project.

On 5 October 2021, the Company announced the commencement of its auger drilling programme at its southern exploration license EL199. The Company had engaged the GSMB to undertake the drilling program. The drilling program is a combination of infill and resource extensions and aims to confirm previous drill work and test with extension and step out drilling. This will assist the Company to delineate the key areas for any mining license applications over EL199 and build out our resource estimate. The drilling programme is now completed and drill samples are currently being analysed with initial results expected in January 2022.

IHC Mining, a leading heavy minerals consultancy firm, is reviewing the Company’s Project development and economics, with the results expected by the end of February 2022.

Accordingly, the Company is on track to achieve the following milestones:

- Commence construction for Stage 1 Heavy Minerals Concentrate – H1 2022
- Start commercial production for Stage 1 Heavy Minerals Concentrate – H2 2022

Mineral Sands Pricing

Mineral sands prices have remained buoyant as a result of both supply and demand issues.

Supply has been significantly impacted by closures to Rio Tinto's Richards Bay mine, which accounts for around 17 per cent of the world's titanium feedstocks and 13 per cent of zircon.

Market prices for ilmenite and rutile have been rising steadily and recently reached seven-year highs in response to real demand for final products from the significant economic growth globally following the COVID-19 economic contractions and extra demand for high-grade feedstock amid constrained supply in China and Africa. Zircon prices were at three-year highs which was as a result of improved ceramics production in Asia and Europe. The benchmark Zircon price effective 1 July 2021 was \$US1,630 per tonne, the highest price recorded since 2014.

The Company has had numerous enquiries from off takers who are looking to secure new and alternate sources of supply.

Corporate

On 16 August 2021, the Company announced the strengthening of its in-house technical capabilities with the appointment of Richard Stockwell, a seasoned technical mining expert having worked in the minerals sands industry for over 20 years. His expertise covers mineral exploration, resource development and mine planning.

Richard will be a key part of the Company's senior management team and his initial duties include overseeing the following:

- (i) Development Study which will provide an updated understanding of the technical scope and economics of the Project prior to its full commercial development.
- (ii) Project Exploration Strategy with the aim to increase the overall resource and target high value areas.

Richard spent over 13 years with ASX-listed Iluka Resources Limited, one of the world's largest mineral sands companies based in Perth, Western Australia. At Iluka, Richard held a variety of roles including Manager Exploration, Western Australia and was a responsible Competent Person (CP) under the JORC reporting guidelines, for reporting of mineral resources for much of this time. The role included a number of technical and innovative exploration studies of particular relevance to Capital Metals' longer-term strategy.

On 29 October 2021, the Company also announced that James Mahony had joined the senior management team as Chief Financial Officer as a result of Anthony Samaha stepping down as Finance Director.

James Mahony is a partner in Westend Corporate LLP ("Westend Corporate"), a firm based in London that provides independent financial consulting and corporate management services. James holds a Bachelor of Applied Science (Hons), Master of Accounting and is a qualified Certified Practising Accountant. He currently acts, or has acted, as a CFO for a number of AIM-quoted, AQSE quoted and private companies.

In addition, Westend Corporate took over as Company Secretary replacing Sam Quinn.

Financials

As is to be expected with an exploration company, for the six-month period ended 30 September 2021 the Group is reporting a pre-tax loss of \$1,196,828 (six months ended 30 September 2020: loss of \$353,588). The Group's net cash balance as at 30 September 2021 was \$1,199,612 (30 September 2020: \$22,547).

Outlook

We believe we are entering a very exciting period as we look to obtain our First Industrial Mining License, negotiate offtake agreements, secure project finance, and generally advance the Project to what we believe will be a world class mineral sands asset.

I would also like to take this opportunity to thank the Government of Sri Lanka and the local communities where we operate for their continued support, as well as our management team for their dedication, all of which have enabled the Company to advance its operations even during challenging lockdown situations.

Finally, I would also like to thank our shareholders for their continued commitment and support.

We look forward to providing further updates for all of our stakeholders as we accomplish our key milestones.

Greg Martyr
Non-Executive Chairman
20 December 2021

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.

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

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	6 months to 30 September 2021 Unaudited \$	6 months to 30 September 2020 Unaudited \$
Continuing operations			
Revenue		-	-
Administration expenses		(1,123,697)	(360,453)
Foreign exchange		(73,241)	6,758
Operating loss		(1,196,938)	(353,695)
Finance income		110	107
Loss before income tax		(1,196,828)	(353,588)
Income tax		-	-
Loss for the period		(1,196,828)	(353,588)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		52,184	(1,146,933)
Total comprehensive loss for the period		(1,144,644)	(1,500,521)
Basic and diluted	5	(0.216)p	(1.742)p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2021 Unaudited \$	As at 31 March 2021 Audited \$	As at 30 September 2020 Unaudited \$
Non-Current Assets				
Property, plant and equipment		42,961	47,566	64,121
Intangible assets	6	6,333,401	6,178,503	6,451,994
		6,376,362	6,226,069	6,516,115
Current Assets				
Trade and other receivables		148,832	114,737	4,581
Cash and cash equivalents		1,199,612	1,797,319	22,547
		1,348,444	1,912,056	27,128
Total Assets		7,724,806	8,138,125	6,543,243
Non-Current Liabilities				
Trade and other payables		600,000	600,000	-
		600,000	600,000	-
Current Liabilities				
Trade and other payables		847,180	707,545	1,616,106
Borrowings		-	-	90,116
Convertible loans		-	-	390,730
		847,180	707,545	2,096,952
Total Liabilities		1,447,180	1,307,545	2,096,952
Net Assets		6,277,626	6,830,580	4,446,291
Capital and Reserves Attributable to Equity Holders of the Company				
Share capital		6,018,628	6,018,628	5,610,631
Share premium		47,469,912	47,469,912	47,461,833
Capital contribution and contingent shares		3,218,750	3,218,750	3,218,750
Other reserves		(36,715,612)	(37,359,486)	(46,724,976)
Retained losses		(13,714,052)	(12,517,224)	(5,119,947)
Total Equity		6,277,626	6,830,580	4,446,291

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to owners of the Parent						
	Share capital	Share premium	Capital contribution and contingent shares	Other reserves	Retained losses	Total equity	
	Note	\$	\$	\$	\$	\$	
Balance as at 1 April 2020		5,610,631	47,266,833	1,250,000	(46,560,043)	(4,766,359)	2,801,062
Loss for the period		-	-	-	-	(353,588)	(353,588)
Other comprehensive loss for the period		-	-	-	(164,933)	-	(164,933)
Total comprehensive loss for the period		-	-	-	(164,933)	(353,588)	(518,521)
Issue of ordinary shares		-	195,000	-	-	-	195,000
Consideration shares to be issued		-	-	1,968,750	-	-	1,968,750
Total transactions with owners, recognised in equity		-	195,000	1,968,750	-	-	2,163,750
Balance as at 30 September 2020		5,610,631	47,461,833	3,218,750	(46,724,976)	(5,119,947)	4,446,291
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 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 months to 30 September 2021 Unaudited \$	6 months to 30 September 2020 Unaudited \$
Cash flows from operating activities			
Loss before taxation		(1,196,828)	(353,588)
Adjustments for:			
Share based payments		591,689	-
Depreciation		15,053	6,103
Interest income		(110)	(107)
Interest expense		-	43,217
Shares in lieu of debt		-	195,000
Decrease in trade and other receivables		1,306	81
Increase in trade and other payables		104,236	85,538
Foreign exchange		49,499	(9,611)
Net cash used in operations		(435,155)	(33,367)
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,314)	-
Exploration and evaluation activities	6	(152,348)	(43,010)
Interest received		110	107
Net cash used in investing activities		(162,552)	(42,903)
Cash flows from financing activities			
Net cash generated from financing activities		-	-
Net decrease in cash and cash equivalents		(597,707)	(76,270)
Exchange differences		-	(15,333)
Cash and cash equivalents at beginning of period		1,797,319	114,150
Cash and cash equivalents at end of period		1,199,612	22,547

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. General Information

Capital Metals plc is a mineral exploration company listed on the AIM Market of the London Stock Exchange. Following the completion of the reverse acquisition of Capital Metals Limited on 13 January 2021, the Company changed its name from Equatorial Palm Oil Plc to Capital Metals Plc and changed its account reference date to 31 March.

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 interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Statements" as adopted by the United Kingdom and the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority. The condensed interim financial statements should be read in conjunction with the annual financial statements for the period ended 31 March 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

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 International Financial Reporting Standards (IFRS) as adopted by the United Kingdom.

Statutory financial statements for the period ended 31 March 2021 were approved by the Board of Directors on 30 September 2021 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified. The condensed interim financial statements are unaudited and have not been reviewed by the Company's auditor.

Going concern

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 2021. 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.

The factors that were extant at 31 March 2021 are still relevant to this report and as such reference should be made to the going concern note and disclosures in the 2021 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 Company's 2021 Annual Report and Financial Statements, a copy of which is available on the Company's website: www.capitalmetals.com. The key financial risks are liquidity risk, credit risk, interest rate 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 of the Company's 2021 Annual Report and Financial Statements. 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 period ended 31 March 2021.

3.1 Changes in accounting policy and disclosures

(a) New and amended standards mandatory for the first time for the financial year beginning 1 April 2021

As of 1 April 2021, the Group did not adopt any new or amended standards.

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

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the condensed interim financial statements are listed below. The Group intends to adopt these standards, if applicable when they become effective.

Standard	Impact on initial application	Effective date
IFRS 3 (amendments)	Reference to Conceptual Framework	1 January 2022
IAS 37 (amendments)	Provisions, contingent liabilities and contingent assets	1 January 2022
IAS 16 (amendments)	Proceeds before intended use	1 January 2022
Annual improvements	2018-2020 Cycle	1 January 2022
IAS 8 (amendments)	Accounting estimates	1 January 2023
IAS 1 (amendments)	Classification of Liabilities as Current or Non-Current.	1 January 2023

**Not yet endorsed by the UK.*

The Company is evaluating the impact of the new and amended standards above. The Directors believe that these new and amended standards are not expected to have a material impact on the Company's results or shareholders' funds.

4. Dividends

No dividend has been declared or paid by the Company during the six months ended 30 September 2021 (six months ended 30 September 2020: \$nil).

5. Loss per Share

The calculation of loss per share is based on a retained loss of \$1,144,644 for the six months ended 30 September 2021 (six months ended 30 September 2020: \$1,500,521) and the weighted average number of shares in issue in the period ended 30 September 2021 of 528,714,268 (six months ended 30 September 2020: 86,125,000).

No diluted earnings per share is presented for the six months ended 30 September 2021 or six months ended 30 September 2020 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 2021	6,178,503
Additions	152,348
Foreign exchange	2,550
As at 30 September 2021	6,333,401

7. Events after the balance sheet date

There have been no events after the reporting date of a material nature.

8. Approval of interim financial statements

The Condensed interim financial statements were approved by the Board of Directors on 20 December 2021.

9. Availability of this announcement

Copies of this announcement are available from Capital Metals website at www.capitalmetals.com.

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