# Blencowe Resources Plc

Annual Report and Financial Statements

For the year ended 30 September 2021

# Blencowe Resources Plc

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# Blencowe Resources Plc

## Company Information
## For the year ended 30 September 2021

### Directors

Sam Quinn
Cameron Pearce
Alexander Passmore

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## Chief Executive Officer's Statement for the period ended 30 September 2021 (continued)

Dear Shareholders,

It is with great pleasure that I update you on progress within the Company and its operations for the year ended 30 September 2021. This was the first full year of activities within Blencowe following the successful acquisition of the Orom-Cross graphite project in April 2020 and a number of key milestones were met as we continue to develop this exciting asset.

For those of you perhaps less aware, graphite has many uses (over 150 applications in total) from the more traditional use within refractory bricks to line steel foundries - due to its high heat resistance - to electrodes in furnaces. There is a growing market in fire and flame retardants and expandable graphite is pressed into foils or sheets which are used in heat and fire protection in applications ranging from building materials to consumer electronics and fuel cells. But the seismic shift that will radically alter demand ahead is the production of spherical graphite for anodes inside each lithium-ion battery, which is the frontrunner technology to power electric vehicles (EVs). Approximately 50kgs of graphite goes into each and every Li-ion battery and it is non-replaceable; and as EV numbers start to take off there is widespread expectation for exponential growth of all battery metals (lithium, cobalt, nickel and graphite). We are thus highly leveraged into EV growth.

Most leading analysts forecast severe shortages of graphite from as early as 2025, with this demand-supply imbalance growing ever-larger as EVs become more widespread in the latter half of the current decade. Currently there are ~15 million EVs in the world and analysts predict this number to grow to somewhere between 100-600 million by 2030. Whilst there will be any number of new graphite mines that go into production to fulfil this demand there is unlikely to be sufficient graphite produced to cover the shortfall, mainly due to (1) the long lead time it takes to establish and develop a new mine from scratch, (2) the complexity of funding new projects and (3) the very specific graphite quality constraints imposed by battery producers. Blencowe has a strategy for all of these and it is clear that any company with a high quality, low cost graphite source that can develop its asset into production over the next few years will have a valuable asset ahead.

Blencowe acquired the Orom-Cross graphite project in Uganda just 18 months ago and is working to develop it towards first production before 2025. Orom-Cross has an estimated 2-3 billion tonnes graphite making it one of the largest deposits in the world, and substantial volumes of graphite present near to surface (between 0-30 meters) which ultimately will make it easier and cheaper to mine via open pits. Uganda is a landlocked country in East Africa which has a strong, stable Government and the mining industry is well supported. It has plentiful infrastructure such as roads, water and rail and it is English speaking too, being a former British Protectorate. These are all key advantages to successfully developing a mining venture there.

Over the past 18 months Blencowe has delivered two extensive programmes for ~5,000m diamond drilling that were required for Orom-Cross to progress; firstly to deliver a maiden JORC Standard Resource of 16Mt grading at a respectable 6.0% TGC, and more recently to upgrade this into a larger Measured and/or Indicated Resource. The revised JORC Resource statement is due in early 2022 and will likely deliver enough graphite for the first 10-15 years life of mine. It is also hoped that the in situ grade will rise as a result of including the higher grade Camp Lode deposit into the JORC Resource for the first time. Whilst this drilling has been both costly and time consuming it was absolutely necessary as one cannot proceed to mine planning and pit designs without knowing where the graphite is positioned, geophysics (ground conditions) and, very importantly, the metallurgical qualities of the product.

Over the past year Blencowe sent quantities of graphite from Orom-Cross to leading technical experts SGS Lakeside in Toronto to establish the metallurgical properties of our graphite, and I am pleased to report that the results have exceeded our expectations. Not only did SGS deliver a higher grade concentrate than we hoped for (97% versus 94% TGC), but they also delivered a concentrate with almost zero impurities and high recoveries. The quality of the end product is crucial in the sales and marketing process, which will begin in early 2022 as prospective end users are identified and samples sent to each of them to qualify and vet our products.

## Chief Executive Officer's Statement for the period ended 30 September 2021 (continued)

Our management team also delivered a Preliminary Economic Assessment (PEA) by end-September, which was the first, internally driven, commercial overview of the entire mining operation. This study highlighted strong economic returns from a profitable mining venture and will form the basis of our next important step, the Pre-Feasibility Study; already underway and due for completion by mid-2022.

In amongst all of this work on the ground the Company has established strong relationships on the ground which have been critical for work to continue whilst Covid restrictions have forced many of us to remain unable to travel. We thank these partners for their continued support and their efforts. In addition the Company has honoured the payments as agreed by the former owner of the project to the local Orom community, which resulted in substantial farming equipment being purchased to make a difference to their lives. This community agreement is vital in the long run and was a key requirement when the project secured its 21-year Mining License in 2019.

Blencowe will be ever mindful of the environment as it develops Orom-Cross and will look to establish a carbon neutral footprint via use of green (hydro) power off the grid, plus solar power as backup, as well as full restoration of areas mined ahead. This is increasingly important and will play a role in attracting investors and funding parties in the years to come.

Finally, management, and I am well supported by a board and management team (including third party contractors) who are not only experienced, capable mining executives, but also people that have proven their ability to stand up and deliver when the challenges present. I thank them for their efforts and we will continue to add further key management as we progress.

It would be remiss to close without thanking all shareholders for their efforts, as without your ongoing support we would not have a project. Blencowe now owns 100% of a tier one project in a safe location that will produce a key resource that the market is anticipating huge growth and demand ahead. We also believe that the market will understand this value proposition much better as we continue to develop our project and this will naturally see further growth in market value and share price. Be assured of our continued efforts to work hard to do all we can to underline this success.

Mike Ralston

Chief Executive Officer

The Directors present the Strategic Report for the year ended 30 September 2021.

## Results

The results are set out in the Consolidated Statements of Comprehensive Income on page 26. The total comprehensive loss attributable to the equity holders of the Group for the period was £694,726 (2020: £1,058,084).

The Group paid no distribution or dividends during the period.

## Business model, review of the business and future developments

The Company was formed to undertake an acquisition of a target company or business. The Company on 13 May 2019 announced that it had entered into Heads of Agreement with Consolidated Africa Limited ("CRA") and New Energy Minerals Africa Pty Ltd ("New Energy") for the proposed assignment to the Company of a binding option for it to acquire 100% of the share capital of Consolidated African Resources (Uganda) Ltd ("CARU"), a subsidiary of CRA, by way of a reverse takeover ("Transaction"). On 28 April 2020, the Company completed the acquisition of CARU, the owner of the Orom-Cross Graphite Project ("Orom-Cross Graphite Project") in Northern Uganda.

The Group's aim is to create value for shareholders through the discovery and development of economic mineral deposits. The Group's strategy is to continue to progress the development of its existing project in Uganda and to evaluate its existing and new mineral resource opportunities.

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

## Key performance indicators (KPIs)

***Financial KPIs***

Results for the year

With no income in the year the Group continues to monitor the loss before tax to ensure the continued viability of the Group and ability to continue to develop the Orom-Cross Graphite Project. The Group has made a loss before tax of £694,726 for the year ended 30 September 2021 (2020: loss before tax of £1,058,084).

Exploration expenditure – funding and development costs

At this stage in the Group's development, the Group is focusing on financing and continued development of the Orom-Cross Graphite Project. Therefore, the funding and development costs of Orom-Cross Graphite project have been chosen as Key Performance Indicators.

The Group has incurred £976,084 (2020: £1,084,354) of development costs at Orom-Cross Graphite Project which were required to carry out the initial drilling costs and testing of the mineral. These development costs are in line with the Board expectations.

In 2021 the Group raised funds of £1,373,414 (2020: £2,000,000) from the equity markets. Please see note 21 for further details of the funds raised after the year end.

At 30 September 2021 the Group had a cash balance of £93,288 (2020: £205,856).

## Employees

There were no employees during the year apart from the directors, the Chief Executive Officer ("CEO") and the Chief Operating Officer ("COO"), who are the key management personnel. All current members of the Board and the key management personnel are males. For more information about the Group's key management personnel see note 8.

## Social, Community and Human Rights Issues

The Orom-Cross Graphite Project is still at an early stage of project development and further consideration will need to be given to social, community and human rights issues affecting the Project. Currently a key consideration is that under Ugandan law the Company is required to rehabilitate the area affected by the mining activities. Accordingly, there will be a potential cost associated with undertaking this obligation. At this time, although the Group continues to explore and test the minerals, the land has not been affected and therefore the Group has not accounted for any costs associated with the rehabilitation of the area.

Since the acquisition of CARU the Group has donated to local causes, such as a scholarship programme and to fight against COVID-19. The Group will continue to donate to the local communities around the region of Uganda in which the Project Licences are located.

## Principal risks and uncertainties and risk management

The Group operates in an uncertain environment and is subject to a number of risk factors. The Directors have carried out a robust assessment on the principal risks facing the Group, including those that threaten its business model, future performance, solvency or liquidity.

The Group continues to monitor the principal risks and uncertainties with the help of specialist to ensure that any emerging risk are identified, managed and mitigated.

<u>Geological risks</u>
Only a small portion of the Orom-Cross Graphite Project has been explored with no mineral resources estimated to date. Further exploration work is therefore required to establish a mineral resource. The potential quantity and grade of any product is presently conceptual in nature and it is uncertain if further exploration will result in the estimation of a mineral resource. Flotation testwork conducted on graphite obtained from the Orom-Cross Graphite Project has confirmed a final concentrate grading of 94% with a TGC recovery of 31.7%. Whilst it is expected that this recovery can be improved there is not guarantee that it will be. The Group will need to undertakes additional metallurgical test work and technical marketing to establish reasonable grounds for a saleable product. If the final concentrate grading is less than anticipated this will reduce the quantum of saleable product and as the Orom-Cross Graphite Project is dependent on the production of quality graphite to make the project economically viable this could have a material impact on the Group's financial position in the future.

The Group uses advisors with specialist knowledge in mining and related environmental management for reducing the impacts of environmental risk.

Government regulation and political risk

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

The Orom-Cross Graphite Project is located in Uganda. The Group's activities may be affected in varying degrees by political stability and governmental regulations. Any changes in regulations or shifts in political attitudes in these countries or any other countries in which the Group may operate are beyond the control of the Group and may adversely affect its operations. To mitigate this risk, the Board continues to review any changes on the government regulations and the political stability in Uganda.

Pricing risk

The development and success of any project of the Group will be primarily dependent on the future prices of graphite. The graphite prices are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. Such factors include, but are not limited to exchange rates, fluctuations in the value of the United States dollar and foreign currencies, global and regional supply and demand, and political and economic conditions. The price of graphite and other commodities have fluctuated widely in recent years, and future price declines could cause any future development of and commercial production from the Group's property to be impracticable. Although the Group will have sufficient working capital for the Working Capital Period, depending on the price of graphite, projected cash flow from planned mining operations may not be sufficient for future operations and the Group could be forced to discontinue any further development and may lose its interest in, or may be forced to sell, some or all of its properties. Future production from the Orom-Cross Graphite Project is dependent on the production of graphite that is adequate to make the project economically viable. The Board regularly monitors the prices of graphite and is prepared to raise further capital if it is required.

Commodity and currency risk

As the Company's potential earnings will be largely derived from the sale of graphite, the Company's future revenues and cash flows will be impacted by changes in the prices and available market of this commodity. Any substantial decline in the price of graphite or in transport or distribution costs may have a material adverse effect on the Company.

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

Furthermore, the international prices of most commodities are denominated in United States dollars while the Company cost base will be in Pounds Sterling and Ugandan shilling. Consequently, changes in the Pound Sterling and Ugandan Shilling exchange rates will impact on the earnings of the Company. The exchange rates are affected by numerous factors beyond the control of the Company, including international markets, interest rates, inflation and the general economic outlook. The Directors are confident that they have put in place a strong management team capable of dealing with the above issues as they arise.

Financing

The Group is likely to remain cash flow negative for some time and, although the Directors have confidence in the future revenue earning potential of the Group from its interests in the Orom-Cross Graphite Project, there can be no certainty that the Group will achieve or sustain profitability or positive cash flow from its operating activities. However, should the Directors identify working capital difficulties at the end of the Working Capital Period, they will be in a position to reduce the Group's monthly overheads to such an extent that a further twelve months of working capital will be available to the Group. Should the Directors be required to undertake a cost reduction exercise under this scenario, there will be no impact on the ability on the Group to deliver the current work programme at the Orom-Cross Graphite Project. This is on the basis that the cost reductions will be made from administrative expenses, primarily Directors' salaries and professional fees. With regards to future capital expenditure on the Orom-Cross Graphite Project, the Company may need to raise additional capital beyond the Working Capital Period to fund additional exploration work for the future development of the Orom-Cross Graphite Project. The quantum of any future capital raise will be dependent on the agreed work programme, which, at the time of this Document, is unknown.

Future mineral prices, revenues, taxes, capital expenditures and operating expenses and geological success will all be factors which will have an impact on the amount of additional capital required. Additionally, if the Group acquires further exploration assets or is granted additional permits and/or exploration licences, this may increase its financial commitments in respect of the Group's exploration activities.

In common with many exploration entities, the Group will need to raise further funds in order to progress the Group from pre-construction phase of its business and eventually into production of revenues.

COVID-19

Whilst the Group cannot predict any potential effect of COVID-19 in Uganda or elsewhere, it does not believe that COVID-19 will impact the working capital requirements of the Group. It is possible that if the current limited outbreak of COVID-19 in Uganda increases then this may lead to the disruption of the Group's operations in Uganda. An increase in the number of confirmed COVID-19 cases in Uganda may lead to the Ugandan government imposing travel restrictions and other similar restrictions on economic activities within Uganda. Such restrictions have the potential to delay the completion of the Group's planned work programme until such time as such restrictions are lifted and as such the Group's planned work programme may not be completed within the anticipated timeframe.

Environmental and safety

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

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. The potential exposure may be significant and could have a material adverse effect on the Group.

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

Environmental management systems are in place to mitigate environmental hazard risks. The Group uses advisors with specialist knowledge in mining and related environmental management for reducing the impacts of environmental risk.

## Section 172 Statement

The Board believes they have acted in a way most likely to promote the success of the Group for the benefit of its members as a whole, as required by section 172.

The requirements of section 172 are or the Board to:

- consider the likely consequences of any decision in the long term,
- act fairly between the members of the Group,
- maintain a reputation for high standards of business conduct,
- consider the interest of the Group's employees,
- foster the Group's relationship with suppliers, customers and others, and
- consider the impact of the Group's operations on the community and the environment.

The Group operates a mineral exploration business, which is inherently speculative in nature and, without regular income, is dependent upon fund-raising for its continued operation. The pre-revenue nature of the business is important to the understanding of the Group by its members, employees and suppliers, and the Directors are as transparent about the cash position and funding requirements as is allowed under LES regulations.

The principal decisions taken by the Board during the year relate to the ongoing research and development of the Orom-Cross Graphite Project, which since its acquisition in 2020 is still at an early stage of project development. The Board has looked to build upon the information available and the exploration activities carried out by the Subsidiary prior to its acquisition. Through work such as Metallurgical testwork and preliminary economic assessment the board continues to gather information on the long-term viability of the project and the impact on the local community and the environment. The Board have outlined a work program for the future strategy of the Project. In order to carry out its strategy, the company has entered into a number of contracts with providers who are best placed to undertake the necessary research and review,

The Board is ultimately responsible for the direction, management, performance and long-term sustainable success of the Group. It sets the Group's strategy and objective considering the interest of all its stakeholders. A good understanding of the Company's stakeholders enables the Board to factor the potential impact of strategic decisions on each stakeholder group into a boardroom discussion. By considering the Company's purpose, vision and values together with its strategic priorities the Board aims to make sure that its decisions are fair. The Board has always, both collectively and individually, taken decisions for the long term and consistently aims to uphold the highest standards of business conduct. Board resolutions are always determined with reference to the interests of the Company's employees, its business relationships with suppliers and customers. Wherever possible, local communities are engaged in the geological operations and support functions required for field operations providing much needed employment and wider economic benefits to the local communities. In addition, the Group contributes annually towards a scholarship programme for the local community in Uganda. 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 follows international best practice on environmental aspects of our work.

Cameron Pearce

Director
27 January 2022

## Directors' Report for the year ended 30 September 2021

The Directors submit their report with the audited Financial Statements for the year ended 30 September 2021.

## General information

Blencowe Resources Plc ("the Company"), was incorporated as a private Limited Company under the laws of England and Wales with registered number 10966847 on 18 September 2017. On 13 July 2018, the Company was re-registered as a public company under the Companies Act 2006.

Blencowe's primary focus is on developing the Orom-Cross Graphite Project located in Northern Uganda.

## Results for the year and distributions

The Group results are set out in the Consolidated Statements of Comprehensive Income. The total consolidated comprehensive loss attributable to the equity holders of the Group for the financial year was £694,726 (2020: £1,058,084). The Group received no income, and the full amount of the loss is due to expenses incurred in capital raising (to the extent not deducted from share premium), identifying and evaluating suitable acquisition targets, and general corporate overheads.

The Group paid no distribution or dividends during the financial year (2020: £Nil).

## The Board of Directors

The Directors who held office during the financial year and to the reporting date, together with details of their interest in the shares of the Company at the reporting date were:

| | Number of Ordinary Shares | Percentage of Ordinary Shares |
|---|---|---|
| Sam Quinn | 4,666,667 | 3.83% |
| Cameron Pearce | 7,016,667 | 5.75% |
| Alexander Passmore | 1,500,000 | 1.23% |

The Board comprises of one Executive Director and two Non-Executive Directors as detailed below:

Cameron Pearce – Executive Chairman

Cameron Pearce was a founder of the Company and has extensive professional experience in both the Australian and United Kingdom finance industries. In recent times he has provided corporate, strategic, financial and advisory assistance to private and public companies in both Australia and the United Kingdom. Mr Pearce is a member of the Australian Institute of Chartered Accountants and has been in commerce over twenty years holding senior financial and management positions in both publicly listed and private enterprises in Australia, Europe, Asia, Africa and Central America. Mr. Pearce has considerable corporate and international expertise and over the past decade has focussed on mining and exploration activities.

Sam Quinn – Non Executive Director

Sam Quinn is a corporate lawyer with over a decade's worth of experience in the natural resources sector, in both legal counsel and executive management positions. Mr Quinn was formerly the Director of Corporate Finance and Legal Counsel for the Dragon Group, a London-based natural resources venture capital firm and is currently a partner of Silvertree Partners, a natural resource focussed back office outsourcing business. Mr Quinn has in addition held several management roles for listed and unlisted natural companies and has gained significant experience in the administration, operation, financing and promotion of natural resource companies. Prior to working in the natural resources sector, Mr Quinn worked as a corporate lawyer for Jackson McDonald Barristers & Solicitors in Perth, Western Australia and for Nabarro LLP in London.

Alex Passmore – Non Executive Director

Alex Passmore is an experienced corporate executive with strong financial and technical background. Mr Passmore managed the arrangement of debt for many well-known resources companies and has a wealth of experience in project evaluation. He also managed the WA natural resources business of CBA which comprised a substantial portfolio of loan, hedge, trade finance and working capital products to ASX-listed and multi-national resource companies. Prior to this, Mr Passmore held senior roles at Patersons Securities and was director of corporate finance and head of research. Mr Passmore holds a BSc (Hons) in Geology from the University of Western Australia and a graduate diploma of Applied Finance and Investments from the Institute of Securities Australia.

## Directors' indemnities

To the extent permitted by law and the Articles, the Company has made qualifying third-party indemnity provisions for the benefit of its directors during the year, which remain in force at the date of this report.

## Policy for new appointments

Without prejudice to the power of the Company to appoint any person to be a Director pursuant to the Articles the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, but the total number of Directors (other than alternate directors) must not be less than two and must not be more than 15 in accordance with the Articles. Any Director so appointed shall hold office only until the annual general meeting of the Company next following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting. If not re-appointed at such annual general meeting, he shall vacate office at the conclusion thereof.

## Rules for amendments of articles

Directors cannot alter the Company's Articles unless a special resolution is approved by the shareholders. A special resolution requires at least 75% of a company's members to vote in favour for it to pass.

## Substantial shareholders

The share capital of Blencowe consist of only one class: ordinary shares. Therefore, all of the Company's shares rank pare passu and no preferential rights apply. No single person directly or indirectly, individually or collectively, exercises control over the Company. The Directors are aware of the following persons, who had an interest in 3% or more of the issued ordinary share capital of the Company as at 30 September 2021:

| **Shareholder** | **% of issued share capital of the Company** |
|---|---|
| Jim Nominees Limited | 38.87% |
| Spreadex Limited | 9.61% |
| ISI Nominees Limited | 4.24% |
| The Bank of New York (Nominees) Limited | 3.28% |
| Hargreaves Lansdown (Nominees) Limited | 3.23% |

## Financial risk management

The Group's principal financial instruments comprise cash balances, accounts payable and accounts receivable arising in the normal course of its operations.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. See note 19.2 for more information on the financial risk management objectives and policies.

## Employee and Greenhouse Gas (GHG) Emissions

The Group is trading with two employees (see note 8) and the Directors disclosed in page 9.

During 2021 the Company had gas emissions of 30t CO2-e from its operations. As the project was acquired part way through the prior year there were no procedures to measure gas emissions in 2020.

The energy consumption has not been disclosed as the Group's consumption is below 40,000 kWh.

## Responsibility statement

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union ("EU").

The Financial Statements are required to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- present information and make judgements that are reasonable, prudent and provide relevant, comparable and understandable information.
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particulars transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group and Parent Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and Financial Statements. Legislation governing the preparation and dissemination of Financial Statements may differ from one jurisdiction to another.

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group for the period;
- the Director's report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

## Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Directors are responsible for maintaining the Group's systems of controls and risk management in order to safeguard its assets.

Risk is monitored and assessed by the Board who meet regularly and are responsible for ensuring that the financial performance of the Group is properly monitored and reported. This process includes reviews of annual and interim accounts, results announcements, internal control systems, procedures and accounting policies.

The Board receives guidance from FIM Capital Limited, the Company Secretary to the Group, covering updates to relevant legalisation and rules to ensure they remain fully informed and able to make informed decisions.

## Subsequent events

Please see note 21 for details of the Group's subsequent events.

## Auditors

So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The auditors, Crowe U.K LLP, have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

By Order of the Board

Cameron Pearce

Director
27 January 2022

# Blencowe Resources Plc

## Corporate Governance

The Group recognises the importance of, and is committed to, high standards of Corporate Governance. At the date of this Report, and whilst the Group is not formally required to comply with the UK Corporate Governance Code 2018, the Group will try to observe, where practical, the requirements of the UK Corporate Governance Code 2018, as published by The Financial Reporting Council.

In addition, the Company intends to voluntarily observe the requirements of the UK Corporate Governance Code 2018, save as set out below. As at the date of the financial statements the Group is in compliance with the UK Corporate Governance Code 2018 with the exception of the following:

- Given the composition of the Board, certain provisions of the UK Corporate Governance Code, are considered by the Board to be inapplicable to the Company. The Company does not comply with the requirements of the UK Corporate Governance Code in relation to the requirement to have a senior independent director and the Audit Committee does not have three independent non-executive directors
- Due to the current size of the company, and the early stages of the Project’s life cycle, the Company has not developed a formal diversity policy, and investment in and rewarding of the workforce. Furthermore, there have been no board evaluations conducted within the year.
- The UK Corporate Governance Code also recommends the submission of all directors for re-election at annual intervals. No Director will be required to submit for re-election until the first annual general meeting of the Company following the acquisition.
- No new Directors’ nominations were brought forward by the Nomination Committee during the year.

As at the date of the financial statements, the Board has a share dealing code that complies with the requirements of the Market Abuse Regulations. All persons discharging management responsibilities (comprising only the Directors at the date of this Document) shall comply with the share dealing code from the date of Admission.

Set below are Blencowe Resources Plc’s corporate governance practices for the year ended 30 September 2021.

<u>Leadership</u>
The Company is headed by an effective Board which is collectively responsible of the long term success of the Company.

*The role of the Board* - The Board sets the Company's strategy, ensuring that the necessary resources are in place to achieve the agreed strategic priorities, and reviews management and financial performance. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. To achieve this, the Board directs and monitors the Company's affairs within a framework of controls which enable risk to be assessed and managed effectively. The Board also has responsibility for setting the Company's core values and standards of business conduct and for ensuring that these, together with the Company's obligations to its stakeholders, are widely understood throughout the Company. The Board has a formal schedule of matters reserved which is provided later in this report.

*Board Meetings* - The core activities of the Board are carried out in scheduled meetings of the Board. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During the year, the Board met on 15 occasions.

Outside the scheduled meetings of the Board, the Directors maintain frequent contact with each other to discuss any issues of concern they may have relating to the Company or their areas of responsibility, and to keep them fully briefed on the Company's operations.

*Matters reserved specifically for Board* - The Board has a formal schedule of matters reserved that can only be decided by the Board. The key matters reserved are the consideration and approval of:

- the Group's overall strategy;
- financial statements and dividend policy;
- management structure including succession planning, appointments and remuneration;
- material acquisitions and disposal, material contracts, major capital expenditure projects and budgets;
- capital structure, debt and equity financing and other matters;
- risk management and internal controls;
- the Group's corporate governance and compliance arrangements; and
- corporate policies

## Corporate Governance

Leadership (continued)
*Summary of the Board's work in the financial year* - During the year, the Board considered all relevant matters within its remit, but focused in particular on exploration and development of the Orom-Cross Graphite Project in the Republic of Uganda.

Attendance at meetings:

| **Member** | | **Meeting attended** |
|---|---|---|
| Cameron Pearce | Executive Chairman | 15 |
| Sam Quinn | Non-Executive Director | 15 |
| Alexander Passmore | Non-Executive Director | 15 |

The Board is pleased with the level of attendance and participation of Directors at Board and committee meetings.

The Chairman, Cameron Pearce, sets the Board Agenda and ensures adequate time for discussion.

*Non-executive Directors* - The non-executive Directors bring a broad range of business and commercial experience to the Company and have a particular responsibility to challenge independently and constructively the performance of the Executive management (where appointed) and to monitor the performance of the management team in the delivery of the agreed objectives and targets.

*Non-executive Directors* - Are initially appointed for a term of three years, which may, subject to satisfactory performance and re-election by shareholders, be extended by mutual agreement.

*Other governance matters* - All of the Directors are aware that independent professional advice is available to each Director in order to properly discharge their duties as a Director. In addition, each Director and Board committee has access to the advice of the Company Secretary.

*The Company Secretary* - The Company Secretary is FIM Secretaries Limited which is retained on a consultancy basis. FIM Secretary Limited is available to Directors and advises the Board on UK compliance matters.

Effectiveness
For the period under review the Board comprised of an Executive Chairman and two non-executive Directors.

The Directors are of the view that the Board and its committees consist of Directors with an appropriate balance of skills, experience, independence and diverse backgrounds to enable them to discharge their duties and responsibilities effectively.

*Independence* - None of the Directors are considered to be independent, as they have shareholdings in the Company as noted on page 9. It is intended that additional Directors will be appointed in future and that independence will be one of the key factors taken into account at that time. As at the date of this Report no prospective Directors have been identified and no arrangements exist (formal or informal) for the appointment of any other Director.

*Appointments* - The Board is responsible for reviewing and the structure, size and composition of the Board and making recommendations to the Board with regards to any required changes.

*Commitments* - All Directors have disclosed any significant commitments to the Board and confirmed that they have sufficient time to discharge their duties.

*Induction* - All new Directors received an induction as soon as practical on joining the Board.

*Conflict of interest* - A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Company. The Board had satisfied itself that there is no compromise to the independence of those Directors who have appointments on the Boards of, or relationships with, companies outside the Company. The Board requires Directors to declare all appointments and other situations which could result in a possible conflict of interest.

Accountability
The Board is committed to provide shareholders with a clear assessment of the Group's position and prospects. This is achieved through this report and as required other periodic financial and trading statements.

# Blencowe Resources Plc

## Corporate Governance

*Going concern* - As part of their going concern assessment, the Board of Directors have reviewed cash flow forecasts reviewed for the 12 months from the date these financial statements were signed and considered the medium term outlook through to 2025 as described in the Viability Statement. The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2025 provided further funding can be raised as required.

*Internal controls* - The Board of Directors reviews the effectiveness of the Company's system of internal controls in line with the requirement of the Code. The internal control system is designed to manage the risk of failure to achieve its business objectives. This covers internal financial and operational controls, compliance and risk management. Key controls consist of segregation of duties, authorisation and approval policies and accounting controls such as monthly reconciliations. The Company has necessary procedures in place for the year under review and up to the date of approval of the Annual Report and Financial Statements. The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The Board confirms the need for an ongoing process for identification, evaluation and management of significant risks faced by the Company. The Directors carry out a risk assessment before signing up to any commitments.

<u>The Audit Committee</u>

The Audit Committee comprises of Cameron Pearce, chairman of the committee, and Alex Passmore and aims to meet at least twice a year and is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported to the Board. During the year of review, the Audit Committee met twice. The Audit Committee is responsible for the scope and effectiveness of the external audit and compliance by the Group with statutory and other regulatory requirements. Given the size of the Group and the relative simplicity of the systems, the Board considers that there is no current requirement for an internal audit function. The procedures that have been established to provide internal financial control are considered appropriate for a Group of its size and include controls over expenditure, regular reconciliations and management accounts.

The Audit Committee monitors in discussion with the auditors:

- the integrity of the financial statements of the Group and significant financial reporting judgments contained in them
- any formal announcements relating to the Group's financial performance
- the Group's internal financial controls and risk management systems
- the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.

The Directors are responsible for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

<u>External auditor's independence</u>

Since the last tender which was conducted in 2018, Crowe U.K LLP has acted as independent auditor for four years.

## Remuneration and Nominations Committee

A Remuneration and Nominations Committee was established during 2020 and is made up of the two non-executive directors. The Committee comprises Sam Quinn, chairman of the committee, and Ales Passmore. The Remuneration and Nomination Committee meets at least annually and is responsible for setting the remuneration policy for all executive directors and the Company's chairman, including pension rights and any compensation payments, recommends and monitors the level and structure of remuneration for senior management and evaluates the board of directors and examines the skills and characteristics required of board candidates. During the year of review, the Remuneration and Nomination Committee met once.

Remuneration paid to Directors in the period under review is disclosed in the Directors' Remuneration Report.

## Shareholder relations

*Communication and dialogue* - Open and transparent communication with shareholders is given high priority and there is regular dialogue with institutional investors, as well as general presentations made at the time of the release of the annual and interim financial results. All Directors are kept aware of changes in major shareholdings in the Company and are available to meet with shareholders who have specific interests or concerns. The Company issues its results promptly to the market via RNS and also publishes them on the Company's website: www.blencoweresourcesplc.com. Regular market news updates are made in relation to the Company including the status of its exploration and development programme which is also included on the Company's website. Shareholders and other interested parties can subscribe to receive news updates by email by registering online on the website free of charge.

The Directors are available to meet with institutional shareholders to discuss any issues and gain an understanding of the Company's business, its strategies and governance. Meetings are also held with the corporate governance representatives of institutional investors when requested.

*Annual General Meeting* - At every AGM individual shareholders are given the opportunity to put questions to the Chairman and to other members of the Board that may be present although, due to COVID-19 pandemic, physical attendance at the AGM was not possible in 2021. Notice of the AGM is sent to shareholders at least 21 working days before the meeting. Details of proxy votes for and against each resolution, together with the votes withheld are announced to the London Stock Exchange and are published on the Company's website as soon as practical after the meeting.

## Viability statement

In accordance with provision 31 of the UK Corporate Governance Code (2018), the Board has assessed the prospects of the Company over a five-year period, taking account of the Company's current position and principal risks.

<u>Time frame</u>
The Board believes that four years is the most appropriate time frame over which the Board should assess the long-term viability of the Group. The Group's current activities do not generate any revenues or positive operating cash flow, and the development of the Orom-Cross Graphite Project to commence production and generate revenues will require significant capital expenditures. The Orom-Cross Graphite Project is not expected to generate positive net cash flow until approximately 2025, some four years from now.

<u>Assessing viability</u>
The main assumption in the Board making its viability assessment is the ability of the Group to raise further funds in order to progress from the exploration phase into feasibility and eventually into production of revenues. The Group may not be able to obtain additional financing as and when needed which could result in a delay or indefinite postponement of exploration and development activities. The expected cost of bringing the project to an initial production target of 75,000t is USD80,000,000.

<u>Principal risk</u>
The Directors have carried out a robust assessment of the principal risks facing the Group as described on the preceding pages including those that threaten its business model, future performance, solvency or liquidity. The Directors are confident that they have put in place a strong management team wide-ranging expertise in mineral exploration who are capable of dealing with the risk management in order to safeguard the Group's assets.

Based on the financial impact of the analysis outlined above and the associated risks, management actions and controls that are either in place or could be implemented, the Board has been able to conclude that the Company will be able to deliver the Orom-Cross Graphite Project.

## Corporate Governance

Confirmation of viability
Taking account of these matters, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2025, assuming that the financing referred to above is completed as described. The Company's going concern statement is detailed in note 2.7.

The Directors' Remuneration Report sets out the Company's policy on the remuneration of Directors together with the details of Directors' remuneration packages and services contracts for the year ended 30 September 2021.

The Remuneration and Nomination Committee comprises Sam Quinn, who acts as chairman of the committee and Alex Passmore, and meets at least annually. The Remuneration Committee reviews the scale and structure of the Directors' fees, taking into account the interests of the shareholders and the performance of the Company and Directors.

The items included in this report are unaudited unless otherwise stated.

The Company maintains contact with its shareholders about remuneration in the same way as other matters and, as required by Section 439 of the Companies Act 2006, this remuneration report will be put to an advisory vote of the Company's shareholders at the forthcoming Annual General Meeting.

## Directors' Remuneration report

## Statement of Blencowe Plc's policy on Directors' Remuneration

As set out in the Company's Prospectus dated 30 March 2020, each of the Directors may be paid a fee at such rate as may from time to time be determined by the Board. All the Directors are entitled to be reimbursed by the Company for travel, hotel and other expenses incurred by them in the course of their directors' duties relating to the Company.

Any fees payable to the Directors after an Acquisition will be determined as part of the negotiations for the Acquisition, and will be dependent on whether the Directors remain on the board of the Company in any event.

There have been no changes to the Directors' remuneration or remuneration policy since the publication of the Company's Prospectus dated 30 March 2020 with the exception of those mentioned below. The terms and conditions of appointment for all the members of the Board are available for inspection at our registered office.

## Terms of employment

Cameron Pearce was appointed on 8 June 2018 by the Company to act as a Non-Executive Director and Chairman of the Company with fees of £36,000 per annum. Following the Company's readmission to the London Stock Exchange ("LSE") on 28 April 2020, Mr Pearce was reappointed with fees of £96,000 per annum. The appointment is for an initial term of 24 months and thereafter can be terminated by the Company on six months written notice or by Mr Pearce on three months written notice. If there is a change of control (as defined in the letter of appointment), Mr Pearce will be entitled to 100% of his annual fee as a lump sum payment if the Company terminates his employment, or if Mr Pearce chooses to terminate his appointment within 12 months following a change of control.

Sam Quin was appointed on 8 June 2018 by the Company to act as a Non-Executive Director with fees of £24,000 per annum. Following the readmission of the Company to the LSE on 28 April 2020, Mr Quinn was engaged as a Non-Executive director with fees of £24,000 per annum. The appointment is for an initial term of 24 months and thereafter the appointment can be terminated by the Company on six months written notice or by Mr Quinn on three months written notice. If there is a change of control (as defined in the letter of appointment), Mr Quinn will be entitled to 100% of his annual fee as a lump sum payment if the Company terminates his employment, or if Mr Quinn chooses to terminate his appointment within 12 months following a change of control.

Alex Passmore was appointed on 8 June 2018 by the Company to act as a Non-Executive Director with fees of £12,000 per annum. Following the readmission of the Company to the LSE on 28 April 2020, Mr Passmore was engaged as a Non-Executive director with fees of £24,000 per annum. On 12 May 2020, the Board agreed to keep Mr Passmore's fees at £12,000 per annum until further capital is raised. On 15 March 2021, the Board agreed to increase Mr Passmore's fees from 1 March 2021 to £18,000 per annum. The appointment is for an initial term of 24 months and thereafter the appointment can be terminated by the Company on six months written notice or by Mr Passmore on three months written notice. If there is a change of control (as defined in the letter of appointment), Mr Passmore will be entitled to 100% of his annual fee as a lump sum payment if the Company terminates his employment, or if Mr Passmore chooses to terminate his appointment within 12 months following a change of control.

## Remuneration Policy

Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy. Currently, there are no benefits in place.

## Directors' emoluments and compensation (audited)

Set out below are the emoluments of the Directors:

| | Cameron Pearce | Sam Quinn | Alexander Passmore | Total |
|---|---|---|---|---|
| 30 September 2020 | | | | |
| Base fee | 61,000 | 26,000 | 12,000 | 99,000 |
| Share Based Payments | - | - | - | |
| **Total 30 September 2020** | **61,000** | **26,000** | **12,000** | **99,000** |
| | | | | |
| 30 September 2021 | | | | |
| Base fee | 96,000 | 24,000 | 15,000 | 135,000 |
| Share Based Payments | 71,318 | 49,923 | 21,395 | 142,636 |
| **Total 30 September 2021** | **167,318** | **73,923** | **36,395** | **277,636** |

The percentage of directors' emoluments of the total administrative costs for the year is 34% (2020: 10%). The directors' base fees increased by 36%. While the base salary costs of the key management employees increased by 82%.

## Statement of Directors' shareholding and share interest

The Directors who served during the year ended 30 September 2021, and their interests at that date, are disclosed on page 9.

## Issue of options

As at the reporting date, the number of shares options that the Company has issued to the Board and Senior Management are as follow;

| | |
|---|---|
| Cameron Pearce (Chairman) | 2,500,000 |
| Mike Ralston (CEO) | 2,500,000 |
| Lionshead Consultants Ltd (Sam Quinn) (Non Exec Director) | 1,750,000 |
| Alexander Passmore (Non Exec Director) | 750,000 |
| Iain Wearing (COO) | 2,500,000 |

For further information, please see notes 18 and 21.

## Other matters

The Company does not currently have any annual or long-term incentive schemes (other than the one stated above) in place for any of the Directors and as such there are no disclosures in this respect.

The Company does not have any pension plans for any of the Directors and does not pay pension amounts in relation to their remuneration.

The Company has not paid out any excess retirement benefits to any Directors or past Directors. The Company has not paid any compensation to past Directors.

As the Company currently has no trade, no performance graph and table has been included but will be included in future accounting periods.

By Order of the Board

Sam Quinn

Director
27 January 2022

# Blencowe Resources Plc

## Independent Auditor's Report to the Members of

## Blencowe Resources Plc

### Opinion

We have audited the financial statements of Blencowe Resources PLC (the "Parent Company") and it's subsidiaries (the "Group") for the year ended 30 September 2021 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Parent Statement of Financial Position, Consolidated Statement of Changes in Equity, Parent Statement of Changes in Equity, Consolidated Statement of Cash Flows, Parent Statement 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group and Parent Company's affairs as at 30 September 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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.

### Basis for opinion

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

### Material uncertainty related to going concern

We draw attention to note 2.7 to the financial statements which explains that the Group and Parent Company's ability to continue as a going concern is dependent on the availability of future further fundraising. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Parent Company's and the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director's assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included review of management's assessment against reports from metallurgical experts, the Preliminary Economic Assessment as well as financial forecasts for the Orom-Cross Graphite project.

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

### Overview of our audit approach

*Materiality*
In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the group financial statements as a whole to be £105,000 (2020: £95,000) and parent company's financial statements to be £90,000 (2020: £75,000), based on 2% of total assets as the carrying value of exploration assets is considered to be line item of most interest to the users.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment and was determined to be £74,550 (2020: £67,450) for the group financial statements as a whole and £63,900 (2020: £53,250) for the parent company's financial statements.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £5,250 (2020: £430). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

*Overview of the scope of our audit*

The Group is accounted for from one central operating location, the Company's registered office. The main exploration activity of the group is performed in Uganda. Our audit was performed remotely and the scope of the audit included both the parent and the entity acquired in the period.

### 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. These matters included 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.

We set out below, together with the material uncertainty over going concern above, those matters we identified as key audit matters. This is not a complete list of all risks identified by our audit.

| Key audit matter | How the scope of our audit addressed the key audit matter |
|---|---|
| **Surface liability** | |
| As discussed in Note 16, The Ugandan Mining Act 2003 requires an applicant for a mining lease to obtain surface rights from land owners in the mineral area before the respective mining lease can be granted. Accordingly, when the Group acquired its subsidiary it obtained surface rights by way of 49 years lease over the area. The liability to the land owners is to be paid in 10 instalments on a section basis as the project progresses. The progress on each section is not limited to any time frames and is at the Group's discretion. After reviewing the project's time frame, the Board believes that the value of the liability to the land owners needs to be adjusted to reflect the current status of the project. | The following work was undertaken:<br>• We reviewed the calculations provided by the client to ascertain the reasonableness of the assumptions and judgements.<br>• We reviewed and performed sensitivity analysis on the discount rate used in calculating the present value of the surface rights liability.<br>• We discussed and challenged management on the change in the project's time frame.<br><br>We consider managements methodology and determination of the surface liability as at 30 September 2021 to be acceptable.. |

| Key audit matter | How the scope of our audit addressed the key audit matter |
|---|---|
| There is a risk that inappropriate assumptions could result in material errors in the surface liability recognised. | |
| **Carrying value of intangible assets** | |
| Following the acquisition of CARU the Group now owns a mining licence and has significant exploration assets.<br><br>There is a risk that these may be impaired.<br><br>Management performed an impairment indicator review to assess whether there were any indicators of impairment for the Orom-Cross exploration assets and whether an impairment test was required to be performed. No indicators of impairment of the asset were identified. | We considered the indicators of impairment applicable to the Orom-Cross exploration asset, including those indicators identified in IFRS 6: 'Exploration for the Evaluation of Mineral Resources' and reviewed management's assessment of these indicators. The following work was undertaken:<br><br>• We reviewed the licence documentation to confirm the exploration permits are valid and whether there is an expectation that these will be renewed in the ordinary course of business.<br><br>• We made specific enquiries of management and reviewed market announcements, budgets and plans which confirmed the plan to continue investment in the Orom-Cross project subject to sufficient funding being available, as disclosed in note 2.7.<br><br>• We considered whether the feasibility studies to date indicated any impairment for the project.<br><br>• We reviewed the adequacy of disclosures provided within the financial statements in relation to the impairment assessment against the requirements of the accounting standards.<br><br>We are satisfied that there are no indicators at present that require an impairment assessment. |

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

## Independent Auditor’s Report to the Members of Blencowe Resources Plc (continued)

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

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

### Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out above, 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 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 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.

Irregularities, including fraud, ate 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 fraud is detailed below:

We design our procedures so as to obtain sufficient appropriate audit evidence that the financial statements are not materially misstated due to non-compliance with laws and regulations or due to fraud or error.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations - this responsibility lies with management with the oversight of the Directors and the Audit Committee.

Based on our understanding of the Group and industry, discussions with management and the Audit Committee we identified financial reporting standards and Companies Act 2006 as having a direct effect on the amounts and disclosures in the financial statements.

Other laws and regulations where non-compliance may have a material effect on the Group's operations are laws and regulations associated with the listing on the London Stock Exchange and the mining licence held.

As part of the engagement team discussion about how and where the Group's financial statements may be materially misstated due to fraud, we did not identify any areas with an increased risk of fraud.

Our audit procedures included:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review of the Board of directors minutes;
- enquiry of management, external legal counsel about litigations and claims and inspection of relevant correspondence
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- review of accounting estimates for biases including the carrying value of intangibles which is included in the Key Audit Matters.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organized schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

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

### Other matters which we are required to address

We were appointed by the Board of Directors on 14 December 2018 to audit the financial statements for the period ending 30 September 2018. Our total uninterrupted period of engagement is 4 years, covering the periods ending 30 September 2018 to 31 September 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and we remain independent of the Group in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

### Use of our report

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

Matthew Stallabrass
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
**55 Ludgate Hill**

**London**

**EC4M 7JW**

27 January 2022

## Consolidated Statement of Comprehensive Income
## for the year ended 30 September 2021

| | Notes | 30 Sep 2021<br>GBP | 30 Sep 2020<br>GBP |
|---|---|---|---|
| Exploration costs | | (11,690) | (9,736) |
| Administrative fees and other expenses | 6 | (815,415) | (1,015,053) |
| Adjustments to Liability to the Land Owners | 16 | 177,639 | - |
| **Operating loss** | | **(649,466)** | **(1,024,789)** |
| Finance costs | | (45,260) | (33,295) |
| **Loss before tax** | | **(694,726)** | **(1,058,084)** |
| Income tax | 9 | **-** | **-** |
| **Loss for the year attributable to owners of the parent** | | **(694,726)** | **(1,058,084)** |
| **Other comprehensive income** | | | |
| Exchange differences on translation of foreign operation: | | **3,662** | - |
| **Other comprehensive income, net of tax** | | **3,662** | |
| **Total comprehensive loss** | | **(691,064)** | **(1,058,084)** |
| **Basic and diluted loss per share (pence)** | 11 | **(0.61)** | **(1.74)** |

The accompanying notes on pages 33 to 47 form an integral part of the Financial Statements.

## Consolidated Statement of Financial Position as at 30 September 2021

| | Notes | 30 Sep 2021<br>GBP | 30 Sep 2020<br>GBP |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Intangible assets | 10 | **5,296,289** | **4,377,127** |
| **Current assets** | | | |
| Trade and other receivables | 14 | 52,580 | 72,021 |
| Cash and cash equivalents | | 93,288 | 205,856 |
| **Total current assets** | | **145,868** | **277,877** |
| **Total assets** | | **5,442,157** | **4,655,004** |
| **Current liabilities** | | | |
| Creditors: Amounts falling due within one year | 15 | 280,071 | 498,588 |
| **Total current liabilities** | | **280,071** | **498,588** |
| **Non-current liabilities** | | | |
| Surface liabilities | 16 | 887,560 | 849,512 |
| **Total liabilities** | | **1,167,631** | **1,348,100** |
| **Net assets** | | **4,274,526** | **3,306,903** |
| **Equity** | | | |
| Share capital | 17 | 901,316 | 783,333 |
| Share premium | 18 | 5,132,081 | 3,876,650 |
| Share options reserve | 19 | 317,876 | 100,471 |
| Translation reserve | 2.10 | 3,662 | - |
| Retained earnings | | (2,080,409) | (1,453,551) |
| **Total equity** | | **4,274,526** | **3,306,903** |

The accompanying notes on pages 33 to 47 form an integral part of the Financial Statements.

## Parent Statement of Financial Position as at 30 September 2021

| | Notes | 30 Sep 2021 GBP | 30 Sep 2020 GBP |
|---|---|---|---|
| **Fixed assets** | | | |
| Investment in subsidiaries | 12 | 2,000,000 | 2,000,000 |
| Intangible assets | 10 | 1,936,953 | 1,036,486 |
| Non-current assets | 13 | 445,804 | 326,221 |
| **Total fixed assets** | | **4,382,757** | **3,362,707** |
| **Current assets** | | | |
| Trade and other receivables | 14 | 187,163 | 113,688 |
| Cash and cash equivalents | | 93,288 | 205,740 |
| **Total current assets** | | **280,451** | **319,428** |
| **Total assets** | | **4,663,208** | **3,682,135** |
| **Current liabilities** | | | |
| Creditors: Amounts falling due within one year | 15 | 280,110 | 305,742 |
| **Total current liabilities** | | **280,110** | **305,742** |
| **Net assets** | | **4,383,098** | **3,376,393** |
| **Equity** | | | |
| Share capital | 17 | **901,316** | **783,333** |
| Share premium | 17 | **5,132,081** | **3,876,650** |
| Share options reserve | 18 | **317,876** | **100,471** |
| Retained earnings | | **(1,968,175)** | **(1,384,061)** |
| **Total equity** | | **4,383,098** | **3,376,393** |

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £651,982 (2020: £977,421).

The accompanying notes on pages 33 to 47 form an integral part of the Financial Statements.

The Financial Statements were approved and authorised for issue by the Board of Directors on 27 January 2022 and were signed on its behalf by:

Cameron Pearce
Director

Sam Quinn
Director

## Consolidated Statement of Changes in Equity for the year ended 30 September 2021

| | Share capital GBP | Share premium GBP | Share option reserve GBP | Retained earnings GBP | Translation reserve GBP | Total equity GBP |
|---|---|---|---|---|---|---|
| **Balance as at 30 Sep 2019** | **450,000** | **209,983** | **33,778** | **(406,639)** | **-** | **287,122** |
| Loss for the year | - | - | - | (1,058,084) | - | (1,058,084) |
| **Total comprehensive loss** | **-** | **-** | **-** | **(1,058,084)** | **-** | **(1,058,084)** |
| **Transactions with owners** | | | | | | |
| New shares issued (note 17) | 333,333 | 3,666,667 | - | - | - | 4,000,000 |
| Issue of share options/warrants | - | - | 66,693 | - | - | 66,693 |
| Adjustment on consolidation – IFRS 9 | - | - | - | 11,172 | - | 11,172 |
| **Total transactions with owners** | **333,333** | **3,666,667** | **100,471** | **11,172** | **-** | **4,077,865** |
| **Balance as at 30 Sep 2020** | **783,333** | **3,876,650** | **100,471** | **(1,453,551)** | **-** | **3,306,903** |
| Loss for the year | - | - | - | (694,726) | - | (694,726) |
| **Total comprehensive loss** | **-** | **-** | **-** | **(694,726)** | **-** | **(694,726)** |
| **Transactions with owners** | | | | | | |
| New shares issued (note 17) | 117,983 | 1,344,300 | - | - | - | 1,462,283 |
| Share issue costs | - | (88,869) | - | - | - | (88,869) |
| Issue of share options/warrants | - | - | 285,273 | - | - | 285,273 |
| Movement on warrant reserve* | - | - | (67,868) | 67,868 | - | - |
| Exchange differences on translation of foreign operations | - | - | - | - | 3,662 | 3,662 |
| **Total transactions with owners** | **117,983** | **1,255,431** | **217,405** | **67,868** | **3,662** | **1,662,349** |
| **Balance as at 30 Sep 2021** | **901,316** | **5,132,081** | **317,876** | **(2,080,409)** | **3,662** | **4,274,526** |

*The reserves transfer was made to appropriately reflect the value of share options/warrants that are outstanding at 30 September 2021.

The accompanying notes on pages 33 to 47 form an integral part of the Financial Statements.

## Blencowe Resources Plc

### Parent Statement of Changes in Equity for the year ended 30 September 2021

| | Share capital | Share premium | Share option reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | GBP | GBP | GBP | GBP | GBP |
| **Balance as at 30 Sep 2019** | **450,000** | **209,983** | **33,778** | **(406,640)** | **287,121** |
| Loss for the year | - | - | - | (977,421) | (977,421) |
| **Total comprehensive loss** | **-** | **-** | **-** | **(977,421)** | **(977,421)** |
| **Total transactions with owners** | | | | | |
| New shares issued (note 17) | 333,333 | 3,666,667 | - | - | 4,000,000 |
| Issue of share options/warrants | - | - | 66,693 | - | 66,693 |
| **Total transactions with owners** | **333,333** | **3,666,667** | **66,933** | **-** | **4,066,693** |
| **Balance as at 30 Sep 2020** | **783,333** | **3,876,650** | **100,471** | **(1,384,061)** | **3,376,393** |
| Loss for the year | - | - | - | (651,982) | (651,982) |
| **Total comprehensive loss** | **-** | **-** | **-** | **(651,982)** | **(651,982)** |
| **Total transactions with owners** | | | | | |
| New shares issued (note 17) | 117,983 | 1,344,300 | - | - | 1,462,283 |
| Share issue costs | - | (88,869) | - | - | (88,869) |
| Issue of share options/warrants | - | - | 285,273 | - | 285,273 |
| Movement on warrant reserve* | - | - | (67,868) | 67,868 | - |
| **Total transactions with owners** | **117,983** | **1,255,431** | **217,405** | **67,868** | **1,658,687** |
| **Balance as at 30 Sep 2021** | **901,316** | **5,132,081** | **317,876** | **(1,968,175)** | **4,383,098** |

*The reserve transfer was made to correctly show the Share Based Payment that were incurred in the prior year.

The accompanying notes on pages 33 to 47 form an integral part of the Financial Statements.

## Consolidated Statement of Cash Flows for the year ended 30 September 2021

| | Notes | 30 Sep 2021<br>GBP | Restated<br>30 Sep 2020<br>GBP |
|---|---|---|---|
| **Operating activities** | | | |
| Loss after tax | | (694,726) | (1,058,084) |
| Finance costs | | 45,260 | 33,295 |
| Adjustment to Surface Liability | 16 | (177,639) | - |
| Share issue/warrant cost | 18 | 285,273 | 66,693 |
| Unrealised currency translation | | 55,785 | 1,919 |
| *Changes in working capital* | | | |
| Decrease/(Increase) in trade and other receivables | | 19,441 | (27,426) |
| (Decrease)/Increase in trade and other payables | | (9,494) | 236,598 |
| **Net cash flows utilised by operating activities** | | **(476,100)** | **(747,005)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Investment in exploration assets | 10 | (976,084) | (1,084,354) |
| **Net cash flows utilised by investing activities** | | **(976,084)** | **(1,084,354)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Payment of Surface Liability | | (33,798) | (104,777) |
| Shares issued (net of issue cost) | 17 | 1,373,414 | 2,000,000 |
| **Net cash flows from financing activities** | | **1,339,616** | **1,895,223** |
| | | | |
| **(Decrease)/increase in cash and cash equivalents** | | **(112,568)** | **63,864** |
| | | | |
| Cash and cash equivalents at the beginning of the year | | 205,856 | 141,992 |
| | | | |
| **Cash and cash equivalents at 30 September** | | **93,288** | **205,856** |

**Net Debt note**

| | Cash at bank and in hand<br>GBP | Surface Liability<br>GBP | Total<br>GBP |
|---|---|---|---|
| **At 1 October 2019** | 141,992 | - | **141,992** |
| On acquisition | - | (1,009,049) | **(1,009,049)** |
| Cash flows | 63,864 | 104,777 | **168,641** |
| Other non-cash changes | - | (120,465) | **(120,465)** |
| **As 30 September 2020 (restated)** | 205,856 | (1,024,737) | **(818,881)** |
| | | | |
| **As 30 September 2020** | 205,856 | (1,024,737) | **(818,881)** |
| Cash flows | (112,568) | 33,798 | **(112,568)** |
| Other non-cash changes | - | 103,379 | **137,177** |
| **As 30 September 2021** | 93,288 | (887,560) | **(794,272)** |

* The comparative information has been restated to correctly show the payment of the Surface Liability as a Financing cash flow.

The accompanying notes on pages 33 to 47 form an integral part of the Financial Statements.

## Parent Statement of Cash Flows for the year ended 30 September 2021

| | Notes | 30 Sep 2021<br>GBP | 30 Sep 2020<br>GBP |
|---|---|---|---|
| **Operating activities** | | | |
| Loss after tax | | (651,982) | (977,421) |
| Less finance income | | (21,564) | (16,415) |
| Increase in bad debt provision | 13,14 | 12,048 | - |
| Share issue/warrant cost | 18 | 285,273 | 66,693 |
| *Changes in working capital* | | | |
| Increase in trade and other receivables | | (80,559) | (166,640) |
| (Decrease)/increase in trade and other payables | | (25,632) | 194,017 |
| **Net cash flows from operating activities** | | **(482,416)** | **(899,766)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Loan advanced to subsidiary | | (102,983) | - |
| Investment in exploration assets | 10 | (900,467) | (1,036,486) |
| **Net cash flows from investing activities** | | **(1,003,450)** | **(1,036,486)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Shares issued (net of issue cost) | **17** | 1,373,414 | 2,000,000 |
| **Net cash flows from financing activities** | | **1,373,414** | **(2,000,000)** |
| | | | |
| **Increase/(decrease) in cash and cash equivalents** | | **(112,452)** | **63,748** |
| | | | |
| Cash and cash equivalents at the beginning of the year | | 205,740 | 141,992 |
| | | | |
| **Cash and cash equivalents at 30 September** | | **93,288** | **205,740** |

The accompanying notes on pages 33 to 47 form an integral part of the Financial Statements.

## 1. General

Blencowe Resources Plc (the "Company") is a public limited company incorporated and registered in England and Wales on 18 September with registered company number 10966847 and its registered office is situated in England and Wales at 1 King Street Office 3.05, London, England, EC2V 8AU.

The Group did not earn any trading income during the year under review but incurred expenditure associated with financing and operation of the Group and developing its principal assets.

## 2. Accounting Policies

### 2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Company and Group's Financial Statements are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

The Company and Group's Financial Statements have been prepared in accordance with IFRS as adopted by EU. The Company Financial Statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense.

The Group's Financial Statements are presented in GBP, which is the Company's functional currency. All amounts have been rounded to the nearest pound, unless otherwise stated.

### 2.2 Basis of consolidation

The Consolidated Financial Statements comprise the financial statement of the Company and Consolidated African Resources (Uganda) Ltd ("CARU") following the Company's acquisition of CARU on 27 April 2020.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the Group Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised, are eliminated in full.

### 2.3 Changes in significant accounting policies

The following standards, interpretation and amendments were adopted by the Group during the year:

- Definition of a business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Amendments to References to Conceptual Framework in IFRS Standards

The transition to these standards had no material impact on the Group. Future changes in accounting policies.

### 2.4 Standards, amendments and interpretations to published standards not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, were in issue but not yet effective, and have not been early adopted by the Group:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) – Effective for periods beginning on or after 1 January 2021
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) – Effective for periods beginning on or after 1 April 2021
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) - Effective for periods beginning on or after 1 January 2022
- Annual Improvements to IFRS Standards 2018-2020 - Effective for periods beginning on or after 1 January 2022
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) - Effective for periods beginning on or after 1 January 2022
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Effective for periods beginning on or after 1 January 2022
- IFRS 17 Insurance Contracts - Effective for periods beginning on or after 1 January 2023
- Classification of liabilities as current or non-current (Amendments to IAS 1) – Effective for periods beginning on or after 1 January 2023
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – Effective for periods beginning on or after 1 January 2023
- Definition of Accounting Estimate (Amendments to IAS 8) – Effective for periods beginning on or after 1 January 2023
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes – Effective for periods beginning on or after 1 January 2023

The Directors have reviewed the IFRS standards in issue which are effective for annual accounting years ending on or after the stated effective date. In their view, none of these standards would have a material impact on the financial statements of the Group.

### 2.5 Intangible assets

*Exploration and evaluation assets*

The Group recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources. Expenditure included in the initial measurements of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to explore, exploratory drilling, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

*Impairment*

Exploration and evaluation assets are not subject to amortisation until production commences but are assessed for impairment when an event or trigger requires an assessment to be carried out. The assessment is carried out by allocating exploration and evaluation assets to cash generating units ("CGU's"), which are based on specific projects or geographical areas. Currently there is only one CGU relating to the Orom-Cross Project. Whenever the exploration for and evaluation of mineral resources in cash generating units does not lead to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to the Statement of Comprehensive Income.

*Exploration and evaluation assets recorded at fair-value on acquisition*

Exploration assets which are acquired are recognised at fair value. When an entity is acquired whose only significant assets are its exploration asset and/or rights to explore, the Directors consider that the fair value of the exploration assets is equal to the consideration.

### 2.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

(i) *Financial assets*

Financial assets are classified at initial recognition. The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Classification and measurement is based on both whether contractual cash flows are solely payments of principal and interest; and whether the debt instrument is held to collect those cash flows. In the case of the Group, all financial assets meet this criteria and they are held at amortised cost.

<u>Impairment of financial assets</u>

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the ECL model.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a '12-month ECL'). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a 'lifetime ECL').

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

*(ii) Financial liabilities*

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost. The Group's financial liabilities include trade and other payables and surface liabilities.

<u>Subsequent measurements</u>

*Surface liabilities and trade and other payables*.

After initial recognition, surface liabilities and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

*Derecognition*

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

### 2.7 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and positions are set out in the Chief Executive Officer's Statement on page 2.

The Group had £5,442,157 of total assets at 30 September 2021 (2020: £4,655,004), of which £93,288 are held as cash and cash equivalents (2020: £205,856).

Subsequent to the year-end the Group has raised additional funding through a share capital raised in order to further the development of the Group's activities (see note 21) however, the Board of Directors appreciate that significant further funding will be required to achieve the desired project outcome of cash generative production in 2025. The raising of further funding is not guaranteed and will be dependent on successful exploration results to demonstrate the commercial potential of the project, for these reasons there is a material uncertainty in respect of going concern.

As part of their going concern assessment, the Board of Directors have reviewed cash flow forecasts reviewed for the 12 months from the date these financial statements were signed and considered the medium term outlook through to 2025 as described in the Viability Statement. The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2025 provided further funding can be raised as required.

Accordingly, the Directors have a reasonable expectation, subject to the uncertainty noted above, that the Company and the Group will continue in operational existence for the foreseeable future, provided future funding can be obtained following anticipated positive feasibility study results, for a period of at least 4 years from the date of signing of these financial statements. Therefore, the financial statements have been prepared as a going concern.

### 2.8 Comparative figures

The comparative figures have been presented as the Group Financial Statements cover the Company's figures for the year ended 30 September 2020.

### 2.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Warrants

Warrant options are classified as equity. The fair value of the warrants has been calculated using the Black-Scholes option pricing model. For more information, please see note 18.

### 2.10 Foreign currency translation

(i) 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 consolidated financial statements are presented in Great British Pounds currency (GBP).

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the consolidation of the Group's companies are accumulated in the translation reserve. The Company's only subsidiary is CARU, whose functional currency is USD.

### 2.11 Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its Ordinary Shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of Ordinary Shares outstanding during the year. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive potential Ordinary Shares.

### 2.12 Income tax

Income tax expense comprises current tax and deferred tax.

*Current income tax*
Being resident in England and Wales, a 19% rate of corporate income tax applies to the Company.

*Deferred income tax*
Deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the period when the related asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the Consolidated Statement of Financial Position.

### 2.13 Cash and cash equivalents

Cash and cash equivalents in the Company and Group statements of financial position comprise bank balances only. For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances only.

## 3. Business Combination

On 27 April 2020 the Company acquired 100% of the voting equity instrument of CARU. The Group applies the acquisition method in accounting for business combinations. The Consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair value of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company was formed for the purposes of acquiring a natural resources asset. Graphite is a metal that has a strong future for the next 20 years given that graphite is the largest component of the lithium battery. The board believe that the Orom-Cross Graphite Project can be globally significant due to the high-quality product and scale of the target resource.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Details of the fair value of the identifiable assets and liabilities and purchase consideration are as follows;

| | Book Value | Adjustment | Fair Value |
|---|---|---|---|
| | GBP | GBP | GBP |
| Exploration assets | 1,391,366 | 1,903,326 | 3,294,692 |
| Cash | 116 | - | 116 |
| Payables | (285,759) | - | (285,759) |
| Surface liabilities | (1,009,049) | - | (1,009,049) |
| **Total** | **96,674** | **1,903,326** | **2,000,000** |

On acquisition the exploration assets were fair valued to bring the fair value of the assets in line with the consideration paid to the company. The company has minimal other assets and liabilities other that those relating to the mining licence and therefore the fair value is considered to the value that the Company has paid to acquire CARU in the year.

## 4. Critical accounting estimates and judgments

In preparing the Company and Group Financial Statements, the Directors are required to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and assumptions are made concerning the future and, by their nature, may not accurately reflect the related actual outcome. There are no key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Critical accounting estimates**

**a) Impairment of intangible assets – exploration and evaluation costs**
Exploration and evaluation costs have a carrying value as at 30 September 2021 of £5,296,289 (2020: £4,377,895). Licences have a useful life of 49 years and the Group has a right to renew exploration licences. The surface rights are amortised at a rate of 2.25% per annum once extraction of the resource commences. The results of actual or future mining test will be taken into consideration when evaluating the value of the intangible assets.

**b) Interest charge on amounts falling after one year**
At year end NPV of the surface rights owed to the owners of the land is £887,560 (2019: £1,024,737). Interest is charged on the liability at a rate of 5%, if the discount rate used to calculate the present value of the liability was to increase by 1%, the carrying value of the liability would decrease by around £25,000. The interest charged during the year was £45,260 (2020: £33,295), if the rate was increased by 1% then the interest charge would increase by approximately £17,000 (2020: £10,000). For further information on the lease, please see note 16.

**Critical accounting judgements**

**Interest charge on amounts falling after one year**
The surface rights are to be paid in 10 instalments on a section basis as the project progress. The progress on each section is not limited to any time frames and is at the Group's discretion. The value of the surface liability is measured at the present value of the estimated payments due to the Land Owner's Association over the lease term. If the payments were made one year earlier the difference in the liability to the Land Owners would increase by USD59,848. It the payments were made one year later the difference in the liability to the Land Owners would decrease by USD51,815.

## 5. Operating Segment activities

The Group is engaged in the business of mining. At this stage in the Group's development, the Group is focusing on financing and continued development of the Orom-Cross Graphite Project. Which is the only operating segment, and all non-current assets are located in Uganda.

With no income in the year the Group continues to monitor the loss before tax to ensure the continued viability of the Group and ability to continue to develop the project.

### 6. Administrative fee and other expenses

| | 30 Sep 2021<br>GBP | 30 Sep 2020<br>GBP |
|---|---|---|
| Directors' remuneration (see note 7) | 138,787 | 107,102 |
| Professional fees | 100,256 | 437,340 |
| Salaries (see note 8) | 58,000 | 27,500 |
| Listing fees | 42,535 | 26,599 |
| Audit fees | 25,000 | 25,000 |
| Fees payable to group auditors for non-audit services | - | 69,275 |
| Share option/warrant cost (see note 18) | 285,273 | 66,693 |
| Administration fees | 52,000 | 24,486 |
| Broker fees | 48,990 | 190,833 |
| Travelling expenses | 1,529 | 7,260 |
| Miscellaneous fees | 63,046 | 32,965 |
| **Total** | **815,415** | **1,015,053** |

Key management remuneration is disclosed in note 8.

### 7. Directors' remuneration

| | 30 Sep 2021<br>GBP | 30 Sep 2020<br>GBP |
|---|---|---|
| Base fees | 135,000 | 99,000 |
| Employer NI | 2,095 | 2,287 |
| Directors expenses | 1,691 | 5,815 |
| Share based payments | 142,636 | - |
| **Total** | **281,423** | **107,102** |

In addition, the Directors received options which are disclosed in note 18. The total value of warrants issued to the Directors during the financial year is £Nil (2020: £11,229)

Directors' fees do not include any accrued fees from the previous year (2020: £2,000).

### 8. Key management personnel

The number of key management (excluding members the Board) employees throughout the year was as follows;

| | 30 Sep 2021 | 30 Sep 2020 |
|---|---|---|
| By the Company | 2 | 2 |
| By the Group | 2 | 2 |

The key management employees who were appointed during the year, together with details of their interest in the shares of the Company as at the reporting date were:

| | Number of shares | Value of the shares |
|---|---|---|
| Michael Ralston - CEO | 2,725,000 | £163,950 |
| Iain Wearing - COO | 208,333 | £12,500 |

The total base salary costs for the year was £111,000 (2020: £61,000) of which £53,000 (2020: £33,500) were capitalised as they are related to the Orom-Cross Graphite Project. Total share based payments for the year were £142,636 (2020: nil). There was no other component of compensation.

### 9. Taxation

| **Analysis of charge in the year** | **30 Sep 2021** | **30 Sep 2020** |
|---|---|---|
| | GBP | GBP |
| **Current tax:** | | |
| UK Corporation tax on loss for the year | - | - |
| Deferred tax | - | - |
| Tax on loss on ordinary activities | - | - |

| | **30 Sep 2021** | **30 Sep 2020** |
|---|---|---|
| | GBP | GBP |
| **Loss on ordinary activities before tax** | (694,726) | (1,058,084) |
| **Analysis of charge in the year** | | |
| Loss on ordinary activities multiplied by rate of corporation tax in the UK of 19% (2019: 19%) | (131,998) | (201,036) |
| Tax losses carried forward | 131,998 | 201,036 |
| Current tax charged | - | - |

The Parent Company has accumulated tax losses arising in the UK of £2,096,238 (2020: £1,401,512) that are available, under current legislation, to be carried forward against future profits.

### 10. Intangible and other assets

For the year ended in 30 September 2021 intangible assets represent only capitalised costs associated with the Group's exploration, evaluation and development of mineral resources.

| **Group** | **Exploration assets** | **Total** |
|---|---|---|
| | GBP | GBP |
| Balance at 30 September 2019 | - | - |
| Additions - on acquisition | 3,294,692 | 3,294,692 |
| Additions - during the year | 1,084,354 | 1,084,354 |
| Exchange Differences | (1,919) | (1,919) |
| Balance at 30 September 2020 | 4,377,127 | 4,377,127 |
| Additions - during the year | 976,084 | 976,084 |
| Exchange Differences | (56,922) | (56,922) |
| Balance at 30 September 2021 | 5,296,289 | 5,296,289 |

| **Company** | **Exploration assets** | **Total** |
|---|---|---|
| | GBP | GBP |
| Balance at 30 September 2019 | - | - |
| Additions - during the year | 1,036,486 | 1,036,486 |
| Balance at 30 September 2020 | 1,036,486 | 1,036,486 |
| Additions - during the year | 900,467 | 900,467 |
| Balance at 30 September 2021 | 1,936,953 | 1,936,953 |

The additions during the year represent the development costs at Orom-Cross Graphite Project which were required to carry out the initial drilling costs and testing of the mineral.

### 11. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

| | 30 Sep 2021 | 30 Sep 2020 |
|---|---|---|
| **Earnings** | | |
| Loss from continuing operations for the year attributable to the equity holders of the Company (£) | (694,726) | (1,058,084) |
| **Number of shares** | | |
| Weighted average number of Ordinary Shares for the purpose of basic and diluted earnings per share | 114,070,173 | 60,707,758 |
| **Basic and diluted loss per share (pence)** | **(0.61)** | **(1.74)** |

The share options issued during the year to the Board and Senior Management have not been included in this calculation as they would be anti-dilutive.

### 12. Investment in subsidiary

Details of the Company's subsidiary at 30 September 2021 are as follows:

| Name of the subsidiary | Place of incorporation | Portion of ordinary shares held | Principal activity |
|---|---|---|---|
| Consolidated African Resources (Uganda) Ltd | Uganda | 100% | Exploration |

### 13. Long term: non-current assets

| | 30 Sep 2021 | | 30 Sep 2020 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | GBP | GBP | GBP | GBP |
| Loan to subsidiaries (see below) | - | 469,267 | - | 344,720 |
| Less: ECL provision | - | (23,463) | - | (18,499) |
| **Total** | **-** | **445,804** | **-** | **326,221** |

On 18 December 2020 the Company and its subsidiary entered into a loan agreement. This agreement replaces any previous loan agreements. The facility is for an amount up to £5,000,000 and carries an interest of 5% per annum chargeable at year end.

Following the acquisition of CARU, the loan now is considered to be a long term asset.

During the year, the Company agreed to cover some expenses for Consolidated African Resources (Uganda) Ltd ("CARU") for the value of £102,983 (2020: £121,289). The amount borrowed at the yearend was £431,288 (2020: £328,305). The total interest charged for the year ended 30 September 2021 was £21,564 (2020: £16,415). The interest payable at the yearend was £37,979 (2020: £16,415).

The value of the loan is subject to 12 months ECL of 5%, representing the possible default events over the next 12 months of the financial instrument. Due to the increase of expenses paid by the Company on behalf of CARU, the loan and its interest has increased, this has led to an increase in the provision during the year.

| | 30 Sep 2021 | | 30 Sep 2020 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | GBP | GBP | GBP | GBP |
| Brought forward ECL provision | - | 18,499 | - | 11,172 |
| Provision expense | - | 4,964 | - | 7,327 |
| **Carried forward ECL provision** | **-** | **23,463** | **-** | **18,499** |

## 14. Trade and other receivables

| | 30 Sep 2021 | | 30 Sep 2020 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | GBP | GBP | GBP | GBP |
| Other receivables | 8,752 | 143,335 | 67,902 | 109,569 |
| Prepayments | 43,828 | 43,828 | 4,119 | 4,119 |
| **Total** | **52,580** | **187,163** | **72,021** | **113,688** |

Included within other receivables is amounts receivable from CARU.

| | Group | Company | Group | Company |
|---|---|---|---|---|
| | GBP | GBP | GBP | GBP |
| Amount receivable from CARU | - | 141,667 | - | 41,667 |
| Less: ECL provision | - | (7,084) | - | - |
| **Total** | **-** | **134,583** | **-** | **41,667** |

In the current year the value of the receivable was subject to 12 months ECL of 5%. The increase in the provision expense is due to the charge of management fees from the Company to its subsidiary CARU. As of the year end, the amount that CARU owes the Company on management services was £141,667 (2020: £41,667).

| | 30 Sep 2021 | | 30 Sep 2020 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | GBP | GBP | GBP | GBP |
| Brought forward ECL provision | - | - | - | - |
| Provision expense | - | 7,084 | - | - |
| **Carried forward ECL provision** | **-** | **7,084** | **-** | **-** |

## 15. Creditors: Amounts falling due within one year

| | 30 Sep 2021 | | 30 Sep 2020 | |
|---|---|---|---|---|
| | Group | Company | Group | Company |
| | GBP | GBP | GBP | GBP |
| Trade Payables | 238,614 | 238,653 | 281,726 | 264,105 |
| Land Owners Liability | - | - | 175,225 | - |
| Accruals | 41,457 | 41,457 | 41,637 | 41,637 |
| **Total** | **280,071** | **280,110** | **498,588** | **305,742** |

### 16. Creditors: Amounts falling after one year

The Ugandan Mining Act 2003 requires an applicant for a mining lease to obtain surface rights from land owners in the mineral area before the respective mining lease can be granted. Accordingly, when the Group acquired its subsidiary it obtained surface rights by way of 49 years lease over the area. The liability to the land owners is to be paid in 10 instalments on a section basis as the project progresses. The progress on each section is not limited to any time frames and is at the Group's discretion. At the point of inception assumptions were made about the timing of the payments and that now, with further information about the likely development of the project, those assumptions have been revised so as to better align payment dates with project milestones and this has resulted in an adjustment of £177,639**.**

| | **30 Sep 2021** | **30 Sep 2020** |
|---|---|---|
| | GBP | GBP |
| Total payable as at 1 October | 1,024,737 | - |
| Addition to non-current liabilities | - | 1,009,049 |
| Change in estimate | (177,639) | - |
| Interest charged during the period | 45,260 | 11,923 |
| Exchange (gain)/loss on valuation | (4,798) | 3,765 |
| **Total payable as at 30 September** | **887,560** | **1,024,737** |
| | | |
| **Analysis between current and non-current liability** | | |
| Payable within 12 months | - | 175,225 |
| Payable after 12 months | 887,560 | 849,512 |
| | **887,560** | **1,024,737** |

The value of the liability is measured at the present value of the contractual payments due to the Land Owners' Association over the lease term, with the discount rate of 5%.

At the balance sheet date, the Group undiscounted amount payable to the land owners is;

| | 2021 | 2020 |
|---|---|---|
| | GBP | GBP |
| Payable within 1 years | - | 142,027 |
| Payable within 2-5 years | 279,964 | 568,110 |
| Payable after 5 years | 979,875 | 568,110 |
| | 1,259,839 | 1,278,247 |

### 17. Share capital

| | **Number of shares issued** | **Nominal value per share** GBP | **Share capital** GBP | **Share Premium** GBP | **Total share capital** GBP |
|---|---|---|---|---|---|
| **At 30 Sep 2019** | **31,666,664** | | **450,000** | **209,983** | **659,983** |
| Issue of Ordinary Shares | 66,666,662 | 0.005 | 333,333 | 3,666,667 | 4,000,000 |
| Share issue costs | - | - | - | - | - |
| **At 30 Sep 2020** | **98,333,326** | | **783,333** | **3,876,650** | **4,659,983** |
| Issue of Ordinary Shares | 23,596,624 | 0.005 | 117,983 | 1,344,300 | 1,462,283 |
| Share issue costs | - | - | - | (88,869) | (88,869) |
| **At 30 Sep 2020** | **121,929,950** | | **901,316** | **5,132,081** | **6,033,397** |

On 28 April 2020, the Company issued a further 66,666,662 Ordinary Shares of 0.5p each at a price of 6p per share, to raise £4,000,000 before costs. £2,000,000 of this capital raised was used for the acquisition of CARU.

During the year ended 30 September 2021, the Company issued the following shares;

| Date | Number of Ordinary Shares issued | Nominal Share Value | Share price |
|---|---|---|---|
| | | GBP | GBP |
| 12 October 2020 | 3,339,806 | 0.005 | 0.0515 |
| 27 November 2020 | 1,750,000 | 0.005 | 0.0400 |
| 2 December 2020 | 1,540,984 | 0.005 | 0.0610 |
| 23 December 2020 | 5,000,000 | 0.005 | 0.0600 |
| 29 January 2021 | 6,250,000 | 0.005 | 0.0800 |
| 12 February 2021 | 666,667 | 0.005 | 0.0400 |
| 30 March 2021 | 437,500 | 0.005 | 0.0600 |
| 14 April 2021 | 520,000 | 0.005 | 0.0600 |
| 14 April 2021 | 166,667 | 0.005 | 0.0400 |
| 20 July 2021 | 3,925,000 | 0.005 | 0.0600 |

All of the shares issued, with different nominal values, are classed as ordinary and have similar rights attached to them.

The Directors are authorised to issue 138,333,326 ordinary shares. As at 30 September 2021 the number of shares issued and fully paid were 121,929,950 (2020: 98,333,326).

## 18. Share based payments

*Warrants*

The following warrants were issued in exchange for a good or service:

| | **30 Sep 2021** | | **30 Sep 2020** | |
|---|---|---|---|---|
| *Warrants* | Number warrants | Weighted Average exercise price | Number warrants | Weighted Average exercise price |
| Outstanding on 01 Oct | 1,250,000 | 6.00p | - | - |
| Issued during the year | - | - | 1,250,000 | 6.00p |
| Cancelled/ Exercised | - | - | - | - |
| **Outstanding on 30 Sep** | **1,250,000** | **6.00p** | 1,250,000 | 6.00p |
| **Weighted average remaining contractual Life** | | **1.57 years** | | 2.57 years |

The warrants have no vesting period and have been recognised in full upon issue. If the warrants remain unexercised after a period of three years from the date of grant, they will expire. The holder may exercise the subscription right at any time within the subscription period.

The above warrants were valued using the Black Scholes valuation method. The assumptions used are detailed below. The expected future volatility has been determined by reference to the average volatility of similar entities:

| *Warrants* | **30 Sep 2021** | **30 Sep 2020** |
|---|---|---|
| Weighted Average Share Price | 6.00p | 6.00p |
| Weighted Average Exercise Price | 6.00p | 6.00p |
| Expected Volatility | 51% | 51% |
| Expected Life | 3 years | 3 years |
| Risk-free Rate | 0.23% | 0.23% |
| Expected Divided | Nil | Nil |
| **Weighted Average Fair Value (GBP)** | **32,603** | **32,603** |

*Options*
The following options were issued in exchange for a good or service:

| | **30 Sep 2021** | | **30 Sep 2020** | |
|---|---|---|---|---|
| *Options* | Number Options | Weighted Average exercise price | Number Options | Weighted Average exercise price |
| Outstanding on 01 Oct | - | - | - | - |
| Issued during the year | 10,000,000 | 6.00p | - | - |
| Cancelled/ Exercised | - | - | - | - |
| **Outstanding on 30 Sep** | **10,000,000** | **6.00p** | - | - |
| **Weighted average remaining contractual Life** | | **4.21 years** | | - |

The options have no vesting periods and have been recognised upon issue. If the options remain unexercised after a period of five years from the date of grant they will expire. The share options cannot be exercised if the holder has ceased employment.

The above options were valued using the Black Scholes valuation method. The assumptions used are detailed below. The expected future volatility has been determined by reference to the average volatility of similar entities:

| *Options* | **30 Sep 2021** | **30 Sep 2020** |
|---|---|---|
| Weighted Average Share Price | 6.13p | - |
| Weighted Average Exercise Price | 6.00p | - |
| Expected Volatility | 54% | - |
| Expected Life | 5 years | - |
| Risk-free Rate | 0.27% | - |
| Expected Divided | Nil | - |
| **Weighted Average Fair Value (GBP)** | **285,273** | - |

*Deferred Tax*

No deferred tax asset has been recognised in respect of share options and warrants due to the uncertainty of the future trading profits.

## 19. Financial instruments

### 19.1 Categories of financial instruments

| | 30 Sep 2021 | | 30 Sep 2020 | |
|---|---|---|---|---|
| | **Group** | **Company** | **Group** | **Company** |
| | GBP | GBP | GBP | GBP |
| **Financial assets at amortised cost** | | | | |
| Trade and other receivables | - | 150,419 | 4,119 | 4,119 |
| Cash and cash equivalents | 93,288 | 93,288 | 205,856 | 205,856 |
| **Financial liabilities at amortised cost** | | | | |
| Trade and other payables | 280,071 | 280,110 | 498,588 | 305,742 |
| Surface liability | 887,560 | - | 849,512 | - |

### 19.2 Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, trade and other payables and trade and other receivables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments, and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

**Currency risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD") and Ugandan shilling ("UGX"). Foreign exchange risk arises from recognised monetary assets and liabilities. The Group also exposes to currency exposure, CARU expenses are paid in both USD and UGX, with the amount payable to the land owners denominated in UGX.

The table below summaries the financial assets and liabilities denominated in foreign currencies.

| | 30 Sep 2021 | | 30 Sep 2020 | |
|---|---|---|---|---|
| | USD | UGX | USD | UGX |
| **Financial Assets** | 566 | - | 591 | - |
| **Financial Liabilities** | 185,268 | 887,560 | 177,659 | 1,024,737 |

With all other variables held constant, the effect on profit and loss had the functional currency of the Group weakened or strengthened against USD/UGX by 5% at the yearend results in a £35,000 (2020: £7,000) change in value.

**Credit risk**

Credit risk arises on cash balances. The amount of credit risk is equal to the amounts stated in the statements of financial position for each of the assets (notes 13 & 14).

The Group's policy to manage this risk is to deal with banks that are regulated entities. The Group's principal banker, Barclays Bank PLC, is regulated by the United Kingdom Financial Services Authority, and has a credit rating of A1 (2020: A1).

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit. The Company aims to maintain flexibility in funding.

The maturity of the Company's financial liabilities at the statement of financial position date, based on the contracted undiscounted payments is disclosed in notes 145, falls within one year and payable on demand.

**Capital risk**
The Company defines capital as the total equity of the Company. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

## 20. Related party transactions

Details of Directors' remuneration are disclosed in note 7.

Sam Quinn is a director and shareholder of the Company and a Director of Lionshead Consultants Limited. During the year, Lionshead Consultants Limited charged consultancy fees of £24,000 (2020: £10,000).

## 21. Events after the reporting date

On 12 November 2021, the Company issued 40,000,000 new ordinary shares of 0.06p at a price of 6p per new ordinary share with half a warrant per new ordinary share that is exercisable at 8p for 3 years from admission to trading. The share capital raised was £2,000,000 before costs.

On 16 December 2021, the Company issued the Board and Senior Management with 6,000,000 share options. These options will not vest unless the share price of the Company trades in excess of 10p per share for 10 consecutive days.