Strategic Minerals Europe Ltd

The parent company of Aberdeen Minerals Ltd

Annual Report

for the year ended 31 March 2022

Strategic Minerals Europe Ltd
Registered in England & Wales
Registered company no. 12652016
Registered office address: Goodwood House, Blackbrook Park Avenue, Taunton, Somerset, TA1 2PX

Contents of the Annual Report and Consolidated Financial Statements
for the Year Ended 31 March 2022

Company Information
for the Year Ended 31 March 2022

DIRECTORS:	P J Murphy T R Todd
SECRETARY:	D H Taylor
REGISTERED OFFICE:	Goodwood House Blackbrook Park Avenue Taunton, Somerset TA1 2PX United Kingdom
REGISTERED NUMBER:	12652016 (England and Wales)
INDEPENDENT AUDITOR:	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London E1W 1YW
BANKERS:	Barclays Bank plc 1 Churchill Place London, E14 5HP

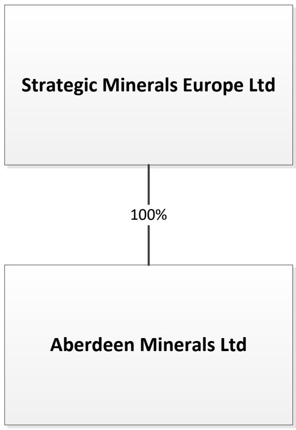
Strategic Report

Introduction and Principal Activities

Strategic Minerals Europe Ltd ("Strategic Minerals Europe") is a privately-owned company focused on mineral exploration for battery metals (copper, nickel and cobalt in particular) in North-East Scotland.

The Company's aim is to create value for shareholders through the discovery and development of mineral deposits capable of producing domestic supplies of metals essential to the energy transition in Scotland and the UK.

The Company operates its mineral exploration projects through Aberdeen Minerals Ltd, a 100% owned, Scotland registered subsidiary headquartered in Ellon, Aberdeenshire. The Group structure chart is set out as below:



Business Review

Key performance indicators (KPIs)
The Board routinely monitors the following KPIs to assess the Group's financial performance:

- Cash and cash equivalents
- Future cash flows

As the Group develops the Board will consider additional appropriate KPIs to monitor the financial and non-financial performance of the Group and its activities.

Financial Highlights

- Expenditure on exploration activities: £263k (2021: £53k)
- Cash and cash equivalents: £849k (2021: £17k)
- New funds raised: £1,220k (2021: £222k).

Exploration activities
During the year ended 31 March 2022, the Group had two key areas of focus as regards exploration activities:

- Continuing to secure new agreements with landowners across the areas of interest
- Planning the airborne geophysical survey, which was carried out following the end of the reporting period, in Q3 2022

Personnel
The Group has increased its management and in-house technical capabilities through the appointment of two experienced geologists:

- Mr Drew Craig as General Manager in November 2021, and
- Mr Fraser Gardiner as Chief Executive Officer, after the year-end, in July 2022

Section 172(1) Statement - Promotion of the Group for the benefit of the members as a whole

The Directors believe they have acted in the way most likely to promote the success of the Group for the benefit of its members as a whole, as required by s.172 of the Companies Act 2006. The requirements of s.172 are for the Directors 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 interests of the Group's employees,
- Foster the Group's relationships with suppliers, customers and others, and
- Consider the impact of the Group's operations on the community and the environment.

The Board's work in pursuit of the strategy, including a review of the business and its future developments, are described in this Strategic Report.

As the Group identifies new mineral deposits, obtains mineral rights, evidences the contained minerals, and demonstrates that they can be extracted commercially, the Group's enterprise value is expected to increase.

The application of the s.172 requirements can be demonstrated in relation to the principal decisions made during the year to 31 March 2022:

- Pursuit of strategy to grow the number of exploration agreements
- Expansion of management team
- Airborne geophysical survey of Aberdeenshire

Management actively engages with the local communities in the relevant areas of Aberdeenshire, helping to educate as to the Group's activities and its desired approach to working alongside local communities in a manner which is informed and sensitive to both the short and long term economic, social and environmental impacts of its work.

The Board takes seriously its ethical responsibilities to the communities and environment in which it works and the Group's staff and contractors abide by the local and relevant UK laws on anti-corruption & bribery. As the Group matures, it is able to formalise the policies appropriate for its stage of development.

Following the year-end, the Group adopted an Anti-Corruption and Bribery Policy, in October 2022.

The interests of all those who work on the Group's behalf are a primary consideration for the Board. Personal development opportunities are supported, and a formal health and safety policy has been adopted.

Principal risks and uncertainties

The Board has identified various risk factors which taken individually or together may have a materially adverse effect on the Group's business. The principal risks and how they are managed are as follows:

<u>Exploration risks</u>
Investments in the exploration and mining sector are impacted by various global factors, including supply and demand, which are key drivers of globally traded commodity prices, and the prevailing geopolitical environment. Such factors are beyond the control of the Group. Mineral exploration by its nature is a high-risk business and there can be no guarantee that mineralization, once discovered, will result in an ore reserve estimation or go on to be an operating mine.

The Group has recruited skilled and experienced minerals geologists to design and manage its work programmes, supported by globally renowned technical consultants and advisors. At each stage of the exploration process, geoscientific results are carefully appraised by the Group's advisors, management and board to determine if further exploration expenditure is warranted, ensuring that funds are only applied to the most prospective target areas.

<u>Liquidity risk</u>
The Group's principal risk is a liquidity risk, which is inherent in the strategy and business model of early-stage mineral exploration companies. The Group has no revenue at the present time and, until such time as sufficient revenue streams have been generated, is therefore dependent upon the availability of additional equity finance, which is described in further detail in note 1 to the financial statements under the *going concern* section of the accounting principles. The Group manages liquidity risk by seeking to ensure the presence of adequate reserves and by continuously monitoring the forecast

and actual cash flows. Cash flow forecasts are regularly prepared and reviewed to identify the liquidity requirements of the Group.

Dependence on key personnel

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

In light of the Group's liquidity risk, the Group operates with minimal personnel, and this is therefore within the Group's risk appetite.

Transaction risk

The Group's strategy includes seeking opportunities to acquire the rights to carry out mineral exploration and to extract minerals. Any such transactions would carry an element of risk with the need to expend resources in identifying opportunities and carrying out due diligence thereon. Such activities therefore increase the pressure on the Group's cash reserves and are therefore monitored closely and conservatively.

Mineral rights in the United Kingdom, with certain exceptions including gold and silver, vest in landowners rather than the State. Such mineral rights may have become divorced from the registered property titles without having been registered, which could result in unforeseen claims arising. The Board mitigates this risk through the performance of due diligence on each title.

Internal controls and risk management

The directors are responsible for the Group's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified promptly and dealt with appropriately.

In carrying out their responsibilities, the directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practicable. The directors keep under constant review, the effectiveness of the internal financial controls, with a strong focus on monitoring the cash position and future cash flows of the business.

Environmental, social and governance ("ESG")

The directors are mindful of the wellbeing of all those working on behalf of the Group, and of the local communities within or close to the Group's areas of operation, the support of whom is critical to the Group's strategy. Therefore the Group and all its directors, management and staff are motivated to maintain the highest possible standards in health and safety and operate in accordance with best practice environmental, social, and governance (ESG) principles.

Despite the business currently being at an early stage of development with limited environmental and social impacts, the directors recognise the importance of laying solid foundations, and seek to embed the best environmental, social and governance practices from the outset.

Through its activities, the Group expects to make a significant contribution towards the development of the North-East Scotland region. The Group will work hard to educate and promote the value of mineral exploration for local communities, and will continue to focus on strong communications and engagement with all stakeholders, including landowners, local councils and other government or community bodies.

The Group's work in respect of its corporate governance is further described in the Corporate Governance section commencing on page 7.

Financial instruments

Details of the use of financial instruments are contained in note 17 to the Financial Statements on page 33.

Outlook and future developments

The Company began the financial year in April 2022 with a strong balance sheet, which has allowed the investment in the first airborne geophysical survey of its type in the UK, in September 2022. Initial results from this survey, which appear to be encouraging, are currently being reviewed and interpreted by the Group's expert geophysics advisor. These results will, in due course, define the scope of follow-up exploration work on a pipeline of new target areas across the district.

The Group is also preparing for its first drilling programme at its Arthrath prospect, which is being designed to confirm and extend the data from the historical Rio Tinto Zinc ("RTZ") drilling undertaken in the Arthrath region during the 1970s and facilitate a modern appraisal of the known body of sulphide mineralization.

The Group's focus is currently firmly on the Aberdeenshire project and there is no present plan to broaden this scope, however, the Board has not precluded looking at additional mining opportunities both in the UK and overseas, particularly those which support the UK government's critical minerals strategy, and where the directors believe they have capability to deliver.

The long-term economic fundamentals for the prospective metals, copper, nickel and cobalt, remain strong.

During 2022, the UK government published its first Critical Minerals Strategy in which the first three aims are stated to be to:

1. maximise what the UK can produce domestically
2. rebuild our skills in mining and minerals
3. carry out cutting edge research and development to solve the challenges in critical minerals supply chains

Within this Critical Minerals Strategy, cobalt is already highlighted as a critical mineral, and nickel is on a watchlist of minerals that are deemed to be increasing in criticality, impacted in particular by the war in Ukraine and the longer term political tensions that are likely to persist.

Going concern

The Board has assessed the prospects of the Group over a period of 12 months from the date of approval of these financial statements, involving a review of the Group's cash flow forecast prepared up to 31 December 2023 and taking account of the Board's intentions for future activities after that date. As explained further in note 1 to the financial statements, the Board, taking into consideration the Group's merits, its principal risks, and the Board's track record in raising additional funding, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next 12 months. The Board considers this period of assessment to be appropriate because it contextualises the Group's financial position, business model and strategy.

The Board's assessment of the going concern statement is further described in note 1 to the accounts.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards (referred to as "IFRS") in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with UK-adopted International Accounting Standards;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

Auditors

The auditors, UHY Hacker Young LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

By order of the Board

David Taylor
Company Secretary

16 December 2022

Corporate governance statement

As a private, unquoted company, Strategic Minerals Europe Ltd is not required to apply a recognised corporate governance code. However, the Board believes that a sound corporate governance policy is an essential ingredient to the Group's success. The application of such a policy enables key decisions to be made by the Board as a whole, and for the Group to function in a manner that takes into account all stakeholders in the Group, including employees, suppliers and business partners. The Board will periodically review and update its policies and practices to ensure its corporate governance framework is commensurate with the anticipated development and growth of the Group.

Deliver growth

<u>Establish a strategy and business model which promote long-term value for shareholders</u>
The Group's strategy is set by the Board, and is to focus is on developing its Aberdeenshire project. At the present time, the Board considers that maintaining focus on this project will best serve the Group in achieving long-term value for shareholders.

<u>Seek to understand and meet shareholder needs and expectations</u>
The directors, led by the Chair, seek regular engagement with other major shareholders and investors in order to understand their views on governance and performance against the strategy.

<u>Take into account wider stakeholder and social responsibilities</u>
The continuing support of the Group's major shareholders and commitment of the directors and employees is essential to the success of the Group. The directors periodically review the Group's key resources and relationships.

The Group's regard for its wider stakeholder and social responsibilities is described further in the Environmental, Social & Governance section, on page 4 of this annual report.

<u>Embed effective risk management, considering both opportunities and threats throughout the organisation</u>
The Group's principal risks are further outlined on page 3.

Maintain a dynamic management framework

<u>Maintain the board as a well-functioning, balanced team led by the Chair</u>
The Group's directors frequently meet informally and, during 2021-22, met when required to formally approve matters. In addition to formal meetings, the directors exercise the authorities granted under the Articles of Association to pass resolutions in writing.

Director	**Board meetings**
Patrick Murphy	2/2
Thomas Todd	2/2

<u>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</u>
Details of the current Directors, their roles and backgrounds are set out on page 10 of this annual report.

At the present time, the Board together with its management team considers itself to have a good blend of skills in the remits of corporate law, finance and mineral exploration.

The directors maintain all relevant professional development consistent with their professional qualifications, areas of responsibility and expertise. During most of the financial year to 31 March 2022, any training and CPD was carried out online. Training and CPD may also be delivered through attending seminars and specific training courses, and reading relevant materials. The Board is supported by an experienced company secretary who can provide additional in-house training on regulatory and governance matters, should it be required.

<u>Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</u>
At the present time the Board does not have a formal process for evaluating its own performance, and during the year ended 31 March 2022, the Board did not carry out an evaluation of its own performance. The Board will keep the need and benefit for formal board performance evaluation under review as the Group grows.

Promote a corporate culture that is based on ethical values and behaviours
The Board has a policy of promoting the long-term success of the Group by conducting business with integrity; all those working on behalf of the Group are expected to uphold those values. During 2022, the Group adopted a formal written anti-bribery and corruption policy.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the board
The Board seeks to ensure that the Group is managed for the long-term benefit of all shareholders and other stakeholders with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to the Group. The Board will continue to monitor the governance framework of the Group as it grows.

The role of the Chair is to provide leadership of the Board and ensure its effectiveness on all aspects of its remit. In addition, the Chair is responsible for the implementation and practice of sound corporate governance. The Chair is considered by the Board to be independent and has adequate separation from the day-to-day running of the Group.

The role of the Chief Executive Officer, which is currently not a board director role, is to ensure the effective day-to-day running of the Group's operations and implementation of Group strategy as determined by the Board. In addition, the Chief Executive Officer is responsible for overseeing the executive management of the Group.

The Board is supported by an experienced company secretary who is responsible for ensuring the smooth day-to-day running of the Company, the Board, and any of its committees.

At present, the Board comprises two directors, and there is therefore no merit in the appointment of any of the committees customary with mature public companies.

The composition of the Board does not currently reflect the directors' recognition of the benefits of diversity in gender, background, disabilities and beliefs; these benefits will be borne in mind when considering future appointments. The Board intends to adopt a Diversity Policy and to include measurable objectives for achieving gender diversity.

Build trust

Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders
The Board is committed to healthy dialogue with its stakeholders and it strives to maintain open, clear and transparent communication with shareholders, ensuring that its strategy, future business model and ultimately performance are clearly understood.

The Group publishes significant news updates on its website, to which any stakeholders who have subscribed will receive an alert. The Chair writes to shareholders approximately once each quarter to provide updates as to progress against the Group's strategy. In addition, the Annual Report provides a year-end summary, which is published on the Group's website, and shareholders are welcome to request one-to-one meetings with management.

The Board firmly believes that a successful development of any mining project is best achieved through maintaining close working relationships with all stakeholders; this includes government agencies and local communities. Part of this is to ensure careful attention is paid to ensure that all exploration activity is performed in an environmentally responsible manner and abides by all relevant mining and environmental regulations.

The results of general meetings are published on the Group's website.

The Group's management intends to maintain a close dialogue with local communities and its workforce. Where issues are raised, the Board will take the matters seriously and, where appropriate, steps will be taken to ensure that these are integrated into the Group's strategy.

Both the engagement with local communities and the performance of all activities in an environmentally and socially responsible way will be closely monitored by the Board to ensure that ethical values and behaviours are recognised.

By order of the Board

David Taylor
Company Secretary

16 December 2022

Directors' Report

The directors present their report together with the audited financial statements for the twelve-month period ended 31 March 2022.

Results and dividend

The Group statement of comprehensive income is set out on page 16 and shows the loss for the period.

The directors do not recommend the payment of a dividend (2021: nil).

Board of directors

The directors who held office at any time during the year ended 31 March 2022 and up to the date hereof, are as follows:

Name	**Date of appointment**	**Date of resignation**
Patrick Murphy	8 June 2020	n/a
Thomas Todd	8 June 2020	n/a

The Board of Directors is responsible for overseeing the long-term success and strategic direction of the Group, and for monitoring the activities of the executive management.

Patrick Murphy Non-Executive Chair

Mr Murphy is a co-founder of Strategic Minerals Europe Ltd. He currently serves as Managing Director at AMCI Group, a privately held group that invests in and operates industrial businesses focused on natural resources, transportation, infrastructure, metals and energy, Chief Financial Officer of AMCI Acquisition Corp II (Nasdaq:AMCIU), and has four appointments as non-executive director of Jupiter Mines (ASX:JMS), Juno Minerals (ASX:JNO), Green Technology Metals (ASX:GT1), and the privately held Chilean copper producer, Minera Las Cenizas S.A.

Thomas Todd Non-Executive Director

Mr Todd is a co-founder of Strategic Minerals Europe Ltd. He is an experienced mining executive. He was formerly Chief Financial Officer of Aston Resources Ltd (which was subsequently acquired by Whitehaven Coal), Custom Mining Ltd, and non-executive director of Prairie Mining Ltd (AIM & ASX).

Directors' interests in shares

The directors' beneficial interests in the shares of Strategic Minerals Europe Ltd (including the beneficial interests of their immediate family and other connected persons) were as follows:

	No. shares held at 31 March 2022	**No. shares held at 31 March 2021[1]**
Patrick Murphy	9,000,000	50,000
Thomas Todd	9,000,000	50,000

[1] on 26 October 2021, the Ordinary shares of £1.00 each in the capital of the Company were subdivided on the basis of 100 new Ordinary shares of £0.01 each for every 1 Ordinary share of £1.00 each held.

During the year ended 31 March 2022, neither director took fees or was paid a salary (2021: nil). Details of directors' remuneration is further disclosed in note 5, and directors' interests in share options and warrants are set out in note 15.

Senior management

Fraser Gardiner Chief Executive Officer

Mr Gardiner is a Scotland-based minerals geologist who has worked around the world on discovery, exploration and mine development projects. He has served in roles as Country Exploration Manager, Exploration Manager and COO for companies including Barrick Gold Corporation and Ormonde Mining plc.

David Taylor Chief Financial Officer and Company Secretary

Mr Taylor is a fellow of the Chartered Governance Institute and has significant senior management experience in governance and finance roles within public listed companies. He currently serves as Company Secretary to Pathfinder Minerals plc (AIM:PFP), and is a director of Regulation Management Ltd.

Drew Craig General Manager

Mr Craig, a native of Aberdeen, is an experienced exploration geologist and project manager. He has enjoyed an international career working in over 25 jurisdictions across a broad range of commodities. He is a founder of consulting business Rocklore Exploration Services and a director of natural resources financing specialist, MINEXIA.

Wilson Robb Technical Advisor

Mr Robb is a co-founder of Strategic Minerals Europe Ltd and is Chairman of Aurum Exploration Services Ltd: a globally recognized provider of contract exploration, target generation and exploration management services. He is Chief Technology Officer of Technology Minerals plc (LSE:TM1) and a director of several private exploration companies Adventus Zinc Ireland, Aurum Discovery, LRH Resources and Adventus Exploration.

Directors and officers indemnities

The Company has agreed to indemnify its directors and officers against claims against them by reason of the fact that they are or were a director or officer of the Company, and the Company has in place a directors and officers insurance policy.

Significant shareholders

As at 13 December 2022, the Company had been notified that the following shareholders were beneficially interested in 3% or more of the Company's ordinary share capital.

Shareholder name	Number of Ordinary shares at date of notification	Shareholding percentage at date of notification
Anton Moser	9,000,000	14.8%
Red Dog Group Holdings Pty Ltd	9,000,000	14.8%
Thomas Todd	9,000,000	14.8%
DITM Holdings Pty Ltd	9,000,000	14.8%
Aurum Discovery Ltd	4,000,000	6.6%

Research and development

The directors consider that the Group's exploration for and evaluation of mineral resources ("E&E") constitutes research and development ("R&D") because the early-stage nature of the Group's project is such that its E&E is not merely determining whether something that exists can be extracted, refined and sold. The Group's research involves the detailed and rigorous study of geological forms and the properties of the ground and rock layers beneath to identify regions that may contain bodies of metallic mineralization. Further research is then carried out to pinpoint the plausible location of mineralized bodies within those wider regions, and from that, test-work is carried out to begin to evidence the presence of mineralization.

Before this work is carried out, no value is attributed to the potential mineralization of the region, as there is no information about whether there might be any mineralization whatsoever. Consequently, it follows that there should be correlation between the sums invested and the value created.

Exploration for and evaluation of mineral resources expenditure is accounted for in accordance with IFRS 6.

Related party transactions

Any related party transactions are disclosed in note 14.

Political donations and expenditure

No charitable or political contributions were made during the current or previous year.

Overseas branches

The Group has no overseas branches.

Financial instruments and financial risk management

The Group's financial instruments consist entirely of cash that arises directly from financing activities undertaken to fund the business. The main purpose of these financial instruments is to fund the Group's operations as well as to manage working capital, liquidity and invest surplus funds. It is, and has been throughout the period under review, the Group's policy not to enter into derivative transactions and no trading in financial instruments has been undertaken.

Information regarding the Group's financial risk management is described in note 17.

Events after the reporting date

Any relevant events after the reporting date are described in note 16 on page 33.

Future developments

Future developments in the business of the Group are described within the Strategic Report, which commences on page 2.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

By order of the Board

David Taylor
Company Secretary

16 December 2022

Independent auditors' report to the members of Strategic Minerals Europe Ltd

Opinion

We have audited the financial statements of Strategic Minerals Europe Ltd (the **'Parent Company'**) and its subsidiary (the **'Group'**) for the year ended 31 March 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group's and Parent Company's financial statements is applicable law and UK adopted International Accounting Reporting Standards.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's loss and cash flows for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards ;
- the Group and Parent Company 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 and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Conclusions relating to going concern

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 statement is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other matters

Comparative information in the financial statements is derived from the company's prior period financial statements which were not audited.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 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 directors

As explained more fully in the statement of directors' responsibilities on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the Group which were contrary to applicable laws and regulations including fraud and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated revenue and profit.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators, enquiries of management and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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

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.

Use of our report

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

Harriet Hodgson-Grove
(Senior Statutory Auditor)

For and on behalf of UHY Hacker Young
Chartered Accountants and Statutory Auditor

UHY Hacker Young
4 Thomas More Square
London E1W 1YW

16 December 2022

Consolidated Statement of Comprehensive Income
for the Year Ended 31 March 2022

	Note	Year ended 31 March 2022 £	Unaudited Year ended 31 March 2021 £
CONTINUING OPERATIONS			
Revenue		**-**	-
Administrative expenses	4, 5	**(437,152)**	(70,438)
Other operating income		**10,604**	-
OPERATING LOSS		**(426,548)**	(70,438)
LOSS BEFORE INCOME TAX		**(426,548)**	(70,438)
Income tax	6	**-**	-
LOSS FOR THE YEAR		**(426,548)**	(70,438)
Total comprehensive loss for the year attributable to equity holders of the parent		**(426,548)**	(70,438)

The notes on pages 23 to 35 form part of these financial statements

Consolidated Statement of Financial Position
for the Year Ended 31 March 2022

	Note	Year ended 31 March 2022 £	Unaudited Year ended 31 March 2021 £
CURRENT ASSETS			
Trade and other receivables	9	**2,166**	414
Cash and cash equivalents	10	**849,179**	16,692
TOTAL ASSETS		**851,345**	17,106
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the Company:			
Share capital	11	**608,485**	222,223
Share premium		**833,940**	-
Warrant reserve		**17,510**	-
Accumulated deficit		**(679,262)**	(252,715)
TOTAL EQUITY		**780,672**	(30,492)
CURRENT LIABILITIES			
Trade and other payables	12	**70,673**	47,598
TOTAL LIABILITIES		**70,673**	47,598
TOTAL EQUITY AND LIABILITIES		**851,345**	17,106

The financial statements were approved for issue by the Board of Directors on 16 December 2022 and were signed on its behalf by:

Thomas Todd
Director

The notes on pages 23 to 35 form part of these financial statements

Consolidated Statement of Changes in Equity
for the Year Ended 31 March 2022

	Called up share capital £	Share premium £	Warrant reserve £	Accumulated deficit £	Total equity £
Balance at 1 April 2020 Unaudited	**-**	**-**	**-**	**(182,276)**	**(182,276)**
Loss for the year	-	-	-	(70,438)	(70,438)
Total comprehensive loss for the year	-	-	-	(70,438)	(70,438)
Issue of share capital	222,223	-	-	-	222,223
Warrant based payments	-	-	-	-	-
Balance at 31 March 2021 Unaudited	**222,223**	**-**	**-**	**(252,715)**	**(30,492)**
Balance at 1 April 2021	**222,223**	**-**	**-**	**(252,715)**	**(30,492)**
Loss for the year	**-**	**-**	**-**	**(426,548)**	**(426,548)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(426,548)**	**(426,548)**
Issue of share capital	**386,262**	**833,940**	**-**	**-**	**1,220,202**
Warrant based payments	**-**	**-**	**17,510**	**-**	**17,510**
Balance at 31 March 2022	**608,485**	**833,940**	**17,510**	**(679,262)**	**780,672**

The notes on pages 23 to 35 form part of these financial statements

Consolidated Statement of Cash Flows
for the Year Ended 31 March 2022

	Note	Year ended 31 March 2022 £	Unaudited Year ended 31 March 2021 £
Cash flows from operating activities			
Loss before tax		**(426,548)**	(70,438)
Adjustments for:			
Warrant-based payments	15	**17,510**	-
Services settled in shares	11	**27,425**	-
Net cash flow from operating activities before changes in working capital		**(381,613)**	(70,438)
Changes in working capital:			
Movement in trade and other receivables	9	**(1,752)**	(16)
Movement in trade and other payables	12	**23,076**	(136,683)
Net cash flow used in operating activities		**(360,290)**	(207,138)
Cash flow from financing activities			
Proceeds arising as a result of the issue of ordinary shares	11	**1,192,777**	222,123
Interest paid		**-**	-
Net cash flow from financing activities		**1,192,777**	222,123
Net increase in cash and cash equivalents in the year		**832,487**	14,985
Cash and cash equivalents at beginning of the year		**16,692**	1,707
Cash and cash equivalents at end of the year	10	**849,179**	16,692

The notes on pages 23 to 35 form part of these financial statements

Company Statement of Financial Position
for the Year Ended 31 March 2022

	Note	Year ended 31 March 2022 £	Unaudited Year ended 31 March 2021 £
NON-CURRENT ASSETS			
Investments	8	-	1
CURRENT ASSETS			
Trade and other receivables	9	**814,672**	28,570
Cash and cash equivalents	10	**-**	-
TOTAL ASSETS		**814,672**	28,571
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the Company:			
Share capital	11	**608,485**	222,223
Share premium		**833,940**	-
Warrant reserve		**17,510**	-
Accumulated deficit		**(679,263)**	(222,222)
TOTAL EQUITY		**780,672**	1
CURRENT LIABILITIES			
Trade and other payables	12	**34,000**	28,570
TOTAL LIABILITIES		**34,000**	28,570
TOTAL EQUITY AND LIABILITIES		**814,672**	28,571

The Company has taken exemptions allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The loss after tax of the parent Company for the year was £457,041 (2021: £222,222).

The financial statements were approved and authorised for issue by the Board of Directors on 16 December 2022 and were signed on its behalf by:

Thomas Todd
Director

The notes on pages 23 to 35 form part of these financial statements

Company Statement of Changes in Equity for the Year Ended 31 March 2022

	Called up share capital £	Share premium £	Share based payment reserve £	Warrant reserve £	Accumulated deficit £	Total equity £
Balance at 1 April 2020	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the year	-	-	-	-	(222,222)	(222,222)
Total comprehensive loss for the year	-	-	-	-	(222,222)	(222,222)
Issue of share capital	222,223	-	-	-	-	222,223
Warrant based payments	-	-	-	-	-	-
Balance at 31 March 2021 Unaudited	**222,223**	**-**	**-**	**-**	**(222,222)**	**1**
Balance at 1 April 2021	222,223	-	-	-	(222,222)	1
Loss for the year	**-**	**-**	**-**	**-**	**(457,041)**	**(457,041)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(457,041)**	**(457,041)**
Issue of share capital	**386,262**	**833,940**	**-**	**-**	**-**	**1,220,202**
Warrant based payments	**-**	**-**	**-**	**17,510**	**-**	**17,510**
Balance at 31 March 2022	**608,485**	**833,940**	**-**	**17,510**	**(679,263)**	**780,672**

The notes on pages 23 to 35 form part of these financial statements

Company Statement of Cash Flows
for the Year Ended 31 March 2022

	Note	Year ended 31 March 2022 £	Unaudited Year ended 31 March 2021 £
Cash flows from operating activities			
Loss before tax		**(457,041)**	(222,222)
Adjustments for:			
Impairment of fixed asset investments	8	**177,778**	222,222
Impairment of amounts owed by group undertakings	9	**224,360**	-
Share-based payments	15	**17,510**	-
Net cash flow from operating activities before changes in working capital		**(37,393)**	-
Changes in working capital:			
Movement in trade and other receivables	9	**(983,037)**	(28,570)
Movement in trade and other payables	12	**5,430**	28,570
Net cash flow used in operating activities		**(1,015,000)**	-
Cash flow from investing activities			
Acquisition of an investment	8	**(177,777)**	(222,223)
Net cash flow from investing activities		**(177,777)**	(222,223)
Cash flow from financing activities			
Proceeds arising as a result of the issue of ordinary shares	11	**1,192,777**	222,223
Interest paid		**-**	-
Net cash flow from financing activities		**1,192,777**	222,223
Net increase in cash and cash equivalents in the year		**-**	-
Cash and cash equivalents at beginning of the year		**-**	-
Cash and cash equivalents at end of the year		**-**	-

The notes on pages 23 to 35 form part of these financial statements

Notes to the Financial statements

1. ACCOUNTING POLICIES

General information
Strategic Minerals Europe Ltd, a private company limited by shares, is incorporated in England and Wales under the Companies Act 2006.

The Company's registered office is Goodwood House, Blackbrook Park Avenue, Taunton, Somerset, TA1 2PX, United Kingdom.

Statement of compliance and basis of preparation
As a result of the UK leaving the EU, the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/685) require all companies with accounting periods beginning on or after 1 January 2021 to apply UK-adopted IAS.

The Group has adopted UK-adopted International Accounting Standards (referred to as "IFRS") for the first time this year. The effective date of the transition was therefore 1 April 2020 (see basis of consolidation below). The directors have examined the implications of the transition on the opening position as at 1 April 2020 and 1 April 2021 ensuring the IFRS policies have been consistently applied and the years presented restated as required, unless otherwise stated. No transition adjustments were identified.

The financial statements have been prepared under the historical cost convention as described in the accounting policies set out below.

The presentation currency used in the financial statements is sterling rounded to the nearest pound (£).

The comparatives for the year ended 31 March 2021 are not presented as having been audited.

New standards, amendments and interpretations adopted by the Group
The Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) was the only new and amended Standard and Interpretation issued and effective for the current financial period of the Group. There was no impact as a result of adopting this amendment.

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group and which have not been applied in these financial statements, were in issue but were not yet effective.

Standard	Effective date, annual period beginning on or after
Narrow scope amendments to IFRS 3, IAS 16 and IAS 37	1 January 2022
Annual improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction.	1 January 2023

The adoption of these standards is not expected to have any material impact on the financial statements of the Group.

Notes to the Financial statements

1. ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2022.

On 22 June 2020, the company acquired the entire share capital of Aberdeen Minerals Ltd. As a result of satisfying the conditions for applying merger accounting (book-value method of consolidation), the consolidated financial statements report the results and financial position of the Group as if the Group structure has always been in place.

The profit and loss account and cashflow statement included within these accounts therefore record activity for the year ended 31 March 2022 with the year ended 31 March 2021 as comparatives.

The consolidated financial statements incorporate those of Strategic Minerals Europe Ltd and its subsidiary Aberdeen Minerals Ltd.

Business combinations involving entities under common control

The Company acquired its subsidiary by means of a share-for-share exchange which has resulted in a business combination involving entities under common control, where no acquirer is identified. As the Company acquired another company, by means of such a share-for-share exchange, resulting in a business combination involving entities under common control and where no acquirer is identified, the "pooling of interests" or "merger" method of consolidation has been used. Therefore, the difference between the purchase consideration and the carrying value of the share capital and reserves acquired is adjusted to equity and the comparative consolidated figures are stated on a combined basis.

All financial statements are made up to 31 March 2022. All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated upon consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

No profit and loss account is presented for the Company, as permitted.

Going concern

The directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

The directors' determination of the going concern status has principally been determined by examining the Group's cash position, determining which proportion of expenditure is discretionary, and assessing its future prospects for raising funds. In making this assessment, the directors have considered the likely impacts of future COVID-19 related restrictions and potential future delays to work schedules. The directors have also considered the likely impact of the war in Ukraine and continuing hostilities between Russia and other western nations, and the likely impact on demand, supply and market sentiment towards minerals exploration in Scotland.

The directors maintain cash flow forecasts looking ahead for periods not less than 12 months. As at the year-end, the Group's cash balance was £849,179 (2021: £16,692). However, as at the date of approval of the financial statements, the cash flow forecast indicated that additional cash resources will be required in order to meet the strategic aims of the Group. This is a common situation for early-stage exploration companies, and is factored into the Group's business model. Investor sentiment towards investment in early-stage mineral exploration projects in the UK is therefore a key determinant as to the Group's ability to continue as a going concern.

Notes to the Financial statements

1. ACCOUNTING POLICIES *(continued)*

Going concern (*continued*)
The Board and the Group have a successful track record in having raised finance in the past, but no assurance can be given that any additional funding will be available should it become required, or if such funding was available, that it would be offered on reasonable terms, albeit the founding shareholders and management team have indicated their likely support in providing additional funding to the Group.

Notwithstanding the above, the directors consider the Group and the Company to be a going concern and therefore have prepared these financial statements on a going concern basis.

Foreign currencies
Transactions entered into by the Group in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Finance income and costs
Finance costs includes interest expenses and similar charges. Interest expense is recognised on a time proportionate basis using the effective interest method.

Exploration and evaluation expenditure
Exploration and evaluation expenditure comprises costs that are directly attributed to:

- Researching and analysing exploration data: conducting geoscientific studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and/or
- Compiling pre-feasibility and feasibility studies.

Exploration expenditure relates to the initial search for deposits with economic potential.

Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential. Capitalisation of evaluation expenditure commences when there is a high degree of confidence that the Group will determine that a project is commercially viable, that is the project will provide satisfactory return relative to its perceived risks and therefore it is considered probable that future economic benefits will flow to the Group.

Share-based payments & share warrants
The Company has issued share warrants, and may in the future issue further warrants and share options, each of which provide for an agreed number of shares to be acquired at a future date at a certain price, should the warrantholder or optionholder choose to exercise their warrant or option. The fair value of equity-settled share-based payments is determined at the date of the grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of warrants or options that will eventually vest. Full disclosure of the calculation model is given in note 15.

Taxation
Taxes payable is based on taxable profit for the year which excludes items of income or expense that are taxable or deductible in other years. Taxable profit also excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the statement of financial position date.

Deferred income tax expense is calculated using the liability method in accordance with IAS 12 Income Taxes. Deferred tax assets and liabilities are classified as non-current in the statement of financial position and are measured based on the difference between the carrying value of assets and liabilities for financial reporting and their tax basis when such differences are considered temporary in nature. Deferred tax assets are reviewed for recoverability at every statement of financial position date, and the amount probable of recovery is recognised.

Notes to the Financial statements

1. ACCOUNTING POLICIES *(continued)*

Taxation (*continued*)

Deferred income tax expense represents the change in deferred tax asset and liability balances during the year, except for the deferred tax related to items recognised in Other Comprehensive Income or resulting from a business combination or disposal.

Changes resulting from amendments and revisions in tax laws and tax rates are recognised when the new tax laws or rates become effective or are substantively enacted. Uncertain tax positions are recognised in the financial statements based on management's expectations.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Impairment

At each reporting date, the Group reviews the carrying amounts of its fixed assets to determine whether there is any indication that they are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised as an expense within profit or loss immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been previously recognised for that asset. A reversal of an impairment loss is recognised as a gain within profit or loss immediately.

Leased assets

At inception of the contract, the Group assesses whether a contract is, or contains, a lease. It recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee unless the lease is considered to be low value or a short-term lease where Payments made under these type of leases are charged to profit or loss on a straight-line basis over the period of the lease.

The right-of-use assets and the lease liabilities are presented as separate line items in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate which was assessed to be 5.25%. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, plus lease payments made on or before the commencement day, less any lease incentives received and plus any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses (cost model as described above). Impairment is assessed as described above.

Notes to the Financial statements

1. ACCOUNTING POLICIES *(continued)*

Trade and other receivables

Trade and other receivables where payment is due within one year do not constitute a financing transaction and are recorded at the undiscounted amount expected to be received, less attributable transaction costs. Any subsequent impairment is recognised as an expense in profit or loss.

If payment is due after more than one year or if there is any other indication of a financing transaction, trade and other receivables are recorded initially at fair value less attributable transaction costs. In this situation, fair value is equal to the amount expected to be received, discounted at a market-related interest rate.

All trade and other receivables are subsequently measured at amortised cost, net of impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other payables

Trade and other payables are initially recognised at fair value less attributable transaction costs. They are subsequently measured at amortised cost.

Financial instruments

<u>Financial instruments at amortised costs</u>

The Group has only recognised basic financial instruments as defined in IFRS. The financial assets and financial liabilities of the Group are as follows:

Financial assets – trade and other debtors, accrued income, amounts owed by Group undertakings and other debtors are basic financial instruments, and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

The basic financial assets are assessed annually for impairment. The general approach incorporates a review of any significant increase in counterparty credit risk since inception. The review includes assumptions about the risk of default and expected loss rates. Any impairment or reversal of a prior impairment is expensed within the profit and loss.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Financial liabilities – trade creditors, amounts owed to Group undertakings, bank loans, accrued expenses and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security and corporation tax creditors are not included in the financial instruments disclosure definition.

<u>Financial instruments at fair value through profit or loss (“FVPL”)</u>

As noted above the Group has only recognised basic financial instruments. The Group has the option to negotiate exclusivity rights over certain leases and the right to negotiate for a prospecting access agreement which will include an option for an exclusive mineral rights agreement.

At the year-end it has not been deemed appropriate to recognise an asset at fair value in relation to these agreements because, although the agreements confer certain rights to carry out exploration activities, the agreements are of an initially short-term nature and further agreement would be required before more substantive exploration work can be carried out.

Notes to the Financial statements

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the preparation of the financial statements the directors make certain critical estimates and assumptions. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share based payments

Where equity-settled share options or warrants are awarded or granted, the fair value of the options or warrants at the date of grant is charged to the Consolidated Statement of Comprehensive Income.

Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options or warrants are modified before they vest, the change in the fair value of the options, measured immediately before and after the modification, is also charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees for goods and services received, the fair value of goods and services received is recognised in either the Statement of Comprehensive Income or the Statement of Financial Position in accordance with the Group's relevant accounting policies. Where it is not possible to reliably value the goods or services received, the fair value is measured by valuing the equity instruments granted using an option an option pricing model. The probability of non-vesting conditions being satisfied are included in the fair value recognised at the measurement date.

On lapse of the share options or warrants, the cumulative fair value registered in the Share Based Payment Reserve and Warrant Reserve respectively is transferred to Retained Earnings.

3. SEGMENTAL REPORTING

The Group has one activity only. The whole of the value of the Group's and the Company's net assets in their respective financial statements at 31 March 2022 and 2021 was attributable to UK assets and liabilities.

4. OPERATING LOSS

Group and Company

		Unaudited
	2022	2021
	£	£
Loss from operations has been arrived at after charging:		
Directors' fees	**-**	-
Share based payment charge	**17,510**	-
Fees payable to the Company's auditor for the audit of the Group and Company's financial statements	**28,000**	-

5. EMPLOYEES AND DIRECTORS

The average number of persons employed by the Group in the financial year (including directors) was 2 (2021: 2).

The key management personnel of the Group are the directors.

The following tables set out and analyse the remuneration of the key management personnel, and thereby the employees of the Group for the years ended 31 March 2022 and 2021.

Notes to the Financial statements

5. EMPLOYEES AND DIRECTORS (*continued*)

For the year ended 31 March 2022:

	Salary	Fees	Total emoluments	Contribution to Pension schemes	Share Based Payments	Total remuneration
	£	£	£	£	£	£
Key management	-	-	-	-	17,510	17,510
	-	-	-	-	17,510	17,510

For the year ended 31 March 2021:

	Salary	Fees	Total emoluments	Contribution to Pension schemes	Share Based Payments	Total remuneration
	£	£	£	£	£	£
Key management	-	-	-	-	-	-
	-	-	-	-	-	-

Share based payments reflect the fair value attributed to share warrants awarded to the directors, as further disclosed in note 15.

No share options were had been granted to, or were exercised by the directors, and no shares were received or receivable by any director in respect of qualifying services under a long-term incentive scheme.

Save for the award of share options/warrants, which the Group may award to key management personnel, the Group does not operate any other long term incentive plans.

No termination payments were made during the years ended 31 March 2022 or 2021.

6. INCOME TAX

The charge for the year is made up as follows:

	2022	Unaudited 2021
	£	£
Current tax	-	-
Tax charge for the year	-	-

Analysis of tax expense
No liability to UK corporation tax arose for the year ended 31 March 2022 nor for the year ended 31 March 2021. No deferred tax asset has been recorded on tax losses carried forward.

Notes to the Financial statements

6. INCOME TAX *(continued)*

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2022	Unaudited 2021
	£	£
Loss on ordinary activities before tax	**(426,548)**	(70,438)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**(81,044)**	(13,383)
Effects of:		
Non-deductible expenses	**-**	-
Income not chargeable to tax	**-**	-
Unrelieved tax losses carried forward	**81,044**	13,383
Tax expense	**-**	-

7. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £457,041 (2021: £222,222).

8. INVESTMENTS

Parent company	**Shares in group undertakings**
	£
COST	
At 31 March 2021	222,223
Additions	**177,777**
At 31 March 2022	**400,000**
PROVISION FOR IMPAIRMENT	
At 31 March 2021	(222,222)
Impairment	**(177,778)**
At 31 March 2022	**(400,000)**
NET BOOK VALUE	
At 31 March 2022	-
At 31 March 2021	1

At 31 March 2022 the company reviewed the carrying amount of its fixed asset investment, determining that currently the recoverable amount of its investment is lower than the carrying amount. An impairment loss has therefore been recognised as an expense within the loss for the year.

Subsidiaries

Aberdeen Minerals Ltd

Registered office: Unit 8 Castle Street, Castlepark Industrial Estate, Ellon, Scotland, AB41 9RF
Nature of business: Exploration and mining
Class of shares: Ordinary
Holding: 100.00%

Notes to the Financial statements

9. TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
		Unaudited		Unaudited
	2022	2021	**2022**	2021
	£	£	**£**	£
VAT	**2,166**	414	**-**	-
Amounts owed by group undertakings	**-**	-	**814,672**	28,570
	2,166	414	**814,672**	28,570

At 31 March 2022, the Company determined to impair the amount owed by group undertakings, of £1,039,032 by £224,360.

10. CASH AND CASH EQUIVALENTS

	Group		Parent Company	
		Unaudited		Unaudited
	2022	2021	**2022**	2021
	£	£	**£**	£
Bank accounts	**849,179**	16,692	**-**	-

11. SHARE CAPITAL

a) Called up, allotted and fully paid share capital

	No. Ordinary shares	Allotment price (£s)	Share Capital (£s)	Share Premium (£s)
Total as at 31 March 2021 - £1.00 each	222,223	1.00	222,223	-
(1) Share split	22,000,077	n/a	-	-
(2) Share issue - £0.01 each	17,777,777	0.01	177,777	-
(3) Share issue - £0.01 each	20,848,494	0.05	208,485	833,940
Total as at 31 March 2022 - £0.01 each	**60,848,571**		**608,485**	**833,940**

(1) On 26 October 2021 the company subdivided its 222,223 ordinary shares of £1 each into 22,222,300 ordinary shares of £0.01.

(2) Following the subdivision, the company issued 17,777,777 ordinary shares of £0.01 each on 26 October 2021 at par.

(3) On 15 November 2021 the company issued a further 20,848,494 ordinary shares of £0.01 at a fair value of £0.05. 548,500 of these shares were issued in settlement for the fair value of services provided by a third-party contractor; these services were valued at £27,425. The balance of the issued shares was settled for cash.

All Ordinary shares of the Company are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

b) Share warrants in issue

Series	Exercise price	Expiry date	At 1 April 2021	Issued/(lapsed)	At 31 March 2022
A	£0.015	26/10/2026	3,750,000	-	3,750,000
B	£0.015	15/11/2024	2,100,000	-	2,100,000
Total			**5,850,000**	**-**	**5,850,000**

Series A share warrants were granted to the founding shareholders, which included directors (see note 15).

Notes to the Financial statements

11. SHARE CAPITAL *(continued)*

Series B share warrants were granted to the founding shareholders and management personnel; the Series B Warrant Instrument provided for a maximum of 3 million Series B share warrants to be issued. The series B warrants issued to directors and other founding shareholders vest only upon an initial public offering, reverse takeover, or other public market liquidity event at a share price of £0.075 per share or more, completed on or before 30 November 2024. Series B warrants issued to other management personnel may be subject to different performance hurdles.

See also note 16 for further information in connection with changes that took place after 31 March 2022.

12. TRADE AND OTHER PAYABLES

	Group		Parent Company	
		Unaudited		Unaudited
	2022	2021	**2022**	2021
	£	£	**£**	£
Trade creditors	**36,673**	5,566	**-**	-
Other creditors	**-**	40,519	**-**	28,571
Accruals and deferred income	**34,000**	1,513	**34,000**	-
	70,673	47,598	**34,000**	28,571

13. LEASES

At inception of a lease contract, the Group assesses whether a contract is, or contains, a lease. At the year end the Group, having assessed its lease contracts considered them to be low value and/or a short-term and so have not recognised either an asset or liability at the year end.

The Group and Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group		Parent Company	
		Unaudited		Unaudited
	2022	2021	**2022**	2021
	£	£	**£**	£
Not later than 1 year	**22,800**	25,800	**-**	-
Later than 1 year and not later than 5 years	**25,394**	47,594	**-**	-
	48,194	73,394	**-**	-

14. RELATED PARTY DISCLOSURES

Details of directors' remuneration are given in note 5. During the year the directors advanced funds of £nil (2021: £26,233) and £nil (2021: £14,285) respectively to the Group. These advances were interest free and unsecured.

On 21 October 2021, the Company and its subsidiary Aberdeen Minerals Ltd, entered into a tripartite agreement with Dalmunzie Investments Ltd, a company wholly owned by Thomas Todd. Under the terms of that agreement, as consideration for the cash receipt of £12,724, Aberdeen Minerals Ltd granted to Dalmunzie Investments Ltd ("Dalmunzie") a 1.0% net smelter royalty ("NSR") over the Group's Aberdeenshire project, covering the area of Scotland to the north and east of the location 57° 00' 00.0" N 3° 30' 00.000" W. The underlying interest in the NSR is shared equally amongst the founding shareholders of the Company. Each of the present directors of the Company is a founding shareholder of the Company.

Under the terms of the Dalmunzie agreement, the Company agreed to act as guarantor for Aberdeen Minerals Ltd, for the benefit of Dalmunzie.

Notes to the Financial statements

15. SHARE BASED PAYMENTS

As at 31 March 2022, the Company had granted warrants over unissued shares of the Company. The warrants entitled the holder to acquire a number of the Company's shares at a predetermined value.

The fair values of these warrants at the date of grant have been measured using the Black-Scholes pricing model, which takes into account factors such as the option life, share price volatility and the risk-free rate.

Each share warrant vested and, subject to the meeting of performance conditions (where applicable) was exercisable immediately upon grant. The share-based expense relating to each share warrant was recognised in full on the date of grant.

Share warrants

Series	Date of grant	Share price	Exercise price	Risk Free Rate[1]	Expected life of options	Expected yield	Expected volatility[2]	Fair value per option
A	26 October 2021	£0.01	£0.015	0.05%	5	0%	53%	£0.00337
B	15 November 2021	£0.01	£0.015	0.05%	3	0%	53%	£0.00337

[1] Daily sterling overnight index average (SONIA) rate at the date of grant was adopted as the effective risk-free rate.
[2] Expected volatility is based on management's estimate of the expected volatility

During the year ended 31 March 2022, the Company granted warrants over 5,850,000 of its shares, all of which remained outstanding at 31 March 2022 (2021: nil). As at 31 March 2022, all of the Series A warrants were exercisable (2021: nil); none of the vesting conditions of the Series B warrants had been met (2021: nil); no warrants lapsed during the year (2021: nil). The weighted average exercise price per share was £0.015.

The directors' beneficial interests (including those held by their connected persons) in the share options and warrants of the Company as at 31 March 2022 are as follows:

Director	Number of options	Number of warrants	Exercise price per share	Latest exercise date
Patrick Murphy[1]	-	843,750	£0.015	26/10/2026
Patrick Murphy[2]	-	750,000	£0.015	15/11/2024
Thomas Todd[1]	-	843,750	£0.015	26/10/2026

[1] Series A warrants
[2] Series B warrants

16. EVENTS AFTER THE REPORTING PERIOD

On 12 December 2022, warrants over 770,000 Ordinary shares in the Company were awarded to management personnel and consultants, with an exercise price of £0.015 per share, expiring on 15 November 2024.

17. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise cash and cash equivalents and other receivables/payables. The Group's accounting policies and method adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial assets, financial liability and equity instrument are set out in note 1. The Group does not use financial instruments for speculative purposes.

Notes to the Financial statements

17. FINANCIAL INSTRUMENTS (*continued*)

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

	Group		Parent Company	
		Unaudited		Unaudited
	2022	2021	**2022**	2021
Financial assets at amortised cost	**£**	£	**£**	£
Cash and cash equivalents	**849,179**	-	**-**	-
Prepayments and accrued income	**-**	-	**-**	-
Financial liabilities at amortised cost				
Trade payables and accruals	**70,673**	47,598	**34,000**	28,570

a) Financial risk management objectives and policies
The Group's major financial instruments include bank balances and amounts payable to suppliers. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

b) Commodity price risk
The Group is carrying out exploration activities, seeking to delineate deposits of copper, nickel and/or cobalt. Market sentiment for companies involved in exploration activities for these metals is influenced by the current market price, as well as the forecast price, of these commodities. Therefore the price at which the Company is able to raise additional finance is impacted by the price of these commodities.

c) Cash flow risk
The directors are obliged to pursue the stated strategy of the Group, which requires the investment of funds in its stated activity. As the Group has no recurring revenues, the pursuit of the strategy results in the depletion of cash resources, and future exploration is therefore dependent on the availability of additional funding.

d) Liquidity risk
Liquidity risk arises from the Group's management of working capital and funding arrangements.

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The Directors have considered the liquidity risk as part of their going concern assessment (see note 1). Controls over expenditure are carefully managed in order to maintain its cash reserves whilst it targets a suitable transaction. Financial liabilities are all due within one year.

e) Credit risk
The Group's credit risk is wholly attributable to its cash balance. The credit risk from its cash and cash equivalents is limited because the counterparties are banks with high credit ratings and have not experienced any losses in such accounts.

f) Interest risk
The Group's exposure to interest rate risk is the interest received on the cash held, which is immaterial.

g) Capital risk management
The Group's objectives when managing capital is 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. The Group has no borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

h) Fair value of financial assets and liabilities
There are no material differences between the fair value of the Group's financial assets and liabilities and their carrying values in the financial information.

Notes to the Financial statements

18. PRIOR YEAR ADJUSTMENTS

The Group has adopted UK-adopted International Accounting Standards (referred to as "IFRS") for the first time this year. The effective date of the transition was therefore 1 April 2020. The directors have examined the implications of the transition on the opening position as at 1 April 2020 and 1 April 2021 ensuring the IFRS policies have been consistently applied and the years presented restated as required, unless otherwise stated. No transition adjustments were identified.

19. ULTIMATE CONTROLLING PARTY

The directors believe there is no ultimate controlling party.