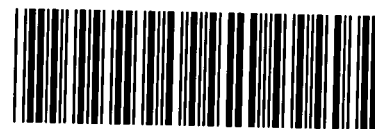


Registered number: 07353748

KERAS RESOURCES PLC

**ANNUAL REPORT
FOR THE FIFTEEN MONTHS ENDED 31 DECEMBER 2021**

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KERAS RESOURCES PLC

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Throughout this document 'Keras', 'Keras Resources' or 'the Company' means Keras Resources PLC and 'the Group' means the Company and its subsidiaries.

KERAS RESOURCES PLC

COMPANY INFORMATION

Directors:	B Moritz (Non-Executive Chairman) G Stacey (Chief Executive Officer) R Lamming (Non-Executive Director) D Reeves (Non-Executive Director)
Company secretary:	B Moritz
Company number:	07353748
Registered office:	Coveham House, Downside Bridge Road, Cobham, Surrey KT11 3EP
Nominated advisor and joint broker:	SP Angel Corporate Finance LLP 35-39 Maddox Street London W1S 2PP
Joint broker	Shard Capital Partners LLP 23 rd Floor 20 Fenchurch Street London EC3M 3BY
Solicitor:	Memery Crystal LLP 165 Fleet Street London EC2A 2DY
Auditor:	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD
Registrars:	Share Registrars Limited 3 The Millennium Centre Crosby Way Farnham Surrey GU9 7XX

KERAS RESOURCES PLC

CHAIRMAN'S STATEMENT

I am pleased to provide an update on our progress since my last report and set out our outlook for the business going forward.

The main activity of Keras is now in developing the Diamond Creek organic phosphate mine in Utah, USA, and we announced on 30 March 2022 that Keras had increased its ownership from 51% to 100%. Subsequently, Keras concluded a £1.95m (before costs) fund raising, underpinned by a new cornerstone investor who is focussed on growing a portfolio of North American phosphate projects.

The Diamond Creek phosphate mine

Despite facing challenges throughout the reporting period, we continued to make significant progress with our fully integrated mine to market operation at Diamond Creek in Utah which is believed to be one of the highest grade organic rock phosphate deposits in the US.

The Diamond Creek phosphate mine, which is situated on an 840 acre Federal Lease, and the Spanish Fork Processing Facility, are owned and operated by Falcon Isle Resources LLC and Falcon Isle Holdings LLC (collectively 'Falcon Isle'). Keras initially acquired a 51% equity interest in Falcon Isle in July 2020 for nominal consideration by agreeing to loan a total of \$2.5m to Falcon Isle in tranches. The last tranche of the loan was advanced at the end of December 2020, so that Falcon Isle has been accounted for as a subsidiary of Keras for 2021. Post-period end, in March 2022, we were pleased to announce that Keras had agreed to acquire our partner's 49% equity interest in Falcon Isle, increasing our holding from 51% to 100%, for a total consideration of US\$3.2m, which includes loans repaid to the vendor totalling US \$1,816,527. This agreement made Falcon Isle a wholly owned subsidiary of Keras, allowing Graham Stacey, previously COO of Keras, to take over full management control of the operation, and become CEO of the Group. Importantly, the agreement avoided a lengthy and costly litigation process, operations recommenced immediately, and we continue to meet customers' demand for our phosphate product.

Located approximately 80km south-east of Salt Lake City, Diamond Creek is one of the highest-grade organic phosphate deposits in the US, and our mission going forward is to build the operation into the premier organic phosphate producer in the US. Our focus and market segment is in supporting sustainable agriculture and we are strong advocates for the benefits of enhancing soil health. Our organic phosphate fertilizer products can help farmers realise better crop growth and yields while reducing the soil degradation seen when farmers use chemically manufactured fertilisers.

The mine is fully permitted, and the Spanish Fork processing plant is close to infrastructure and ideally located to take advantage of Salt Lake City's resources including labour, supplies, industrial engineering and financial services. The integrated mining and processing operation has compelling economics with a low capex, simple low-intensity seasonal mining operation and our in-house processing plant has flexibility to beneficiate a variety of organic rock phosphate products throughout the period. The mined material only requires crushing, milling and bagging before being sold as high-grade organic rock phosphate fertiliser – a 23% total phosphorus pentoxide ('P₂O₅') premium product and importantly with minimum 12% available P₂O₅ which is significantly higher than our competitors.

The project has a pre-stripped area with production drilling information delineating approximately 2 years of planned production still in-situ. However, we believe there is significant scope to increase the current life of mine at Diamond Creek with historic "surface mineable resources" representing in excess of 60 years of production. Part of the funds raised recently will be used to establish a NI 43-101 compliant mineral resource at Diamond Creek.

Immediately post Keras's injection of funding into Falcon Isle, beneficiation was undertaken on a toll basis with a key contractor. The Company subsequently took the decision to move processing in-house and construct a new plant at Spanish Fork, 30km from Diamond Creek. This was to both increase the installed capacity and enable flexibility to beneficiate a variety

CHAIRMAN'S STATEMENT

or organic phosphate products to offer across our marketing campaign. The plant was fabricated and shipped from Shanghai, with construction commencing on site in Spanish Fork in February 2021 and commissioning was successfully completed at the end of June, 2021.

In November 2021 the Company announced it was in dispute with its 49% partner in Falcon Isle due to a capital shortfall resulting in all operations at Diamond Creek being temporarily halted and Keras engaging local US legal representatives to enforce its rights under the terms of the initial transaction. The 2021 mining season had already been completed prior to operations being suspended and sales continued to be made from processed material in stock over the winter period.

In 2021, 8,520 tons of phosphate were mined and delivered to the laydown area at Diamond Creek. Sales totalled 4,657 tons of phosphate from June 2020 through to May 2022. Since Keras took control of the marketing function and with both the mining and processing facilities now operating as planned developing market share will be our primary focus for the next two years. Production rhythm is key to the supply of both consistent quantity and quality products which Keras's operational control and our recent fund-raise has now enabled.

A key component of our marketing effort will be growth tests across a range of crops and soil types. This process is planned to run for the balance of 2022 and will provide focussed market feedback to support of our product use across crop types, regions and planting seasons.

We are now looking forward to commencing our mining season at Diamond Creek which takes place during the summer season from July to September, while the mine site is free of snow.

Nayéga manganese mine / Togo

On the 18 October 2019 the Council of Ministers of the Republic of Togo published a decree granting the right for large-scale exploitation of the manganese deposit at Nayéga to the Company's subsidiary, Société Générale des Mines ("SGM"). Since that date the Company has concentrated its efforts on obtaining the required Exploitation Permit. The terms of the permit and associated protocols have been agreed, and SGM has been converted from a private to a public company, as required by law and in compliance with the draft Mining Convention. However, the exploitation permit approval has not been forthcoming.

Financial review

The Consolidated Statement of Comprehensive Income for the 15-month period shows a loss of £1,948,000 (2020 – loss £1,257,000). The results of the two periods are not strictly comparable due to the different lengths of the periods reported on as a result of the change in year-end to 31 December. The loss for the period under review has suffered from delays in realising the value of the Diamond Creek mine which are referred to above.

Also included is a technical loss amounting to £398,000 due to the IFRS requirement to treat the previous minority interest in Falcon Isle as having been disposed of and the 51% majority acquired as a separate transaction.

During the period Keras undertook two fund raisings, in December 2020 and January 2021, raising £550,000 and £1,000,000 respectively (before costs), primarily to facilitate finance for the Diamond Creek mine, and also for working capital generally.

In May 2022 Keras raised a further £1,950,000 (before costs) at a premium to the previous share price, of which £960,000 was subscribed by a new cornerstone investor, First Uranium Resources Ltd, a Canadian public company active in the North American phosphate market. These funds will be used for the first tranche of US\$800,000 of the cost of acquiring the former minority interest in Falcon Isle, the establishment of a NI 43-101 compliant Mineral Resource at Diamond Creek, expansion of the Falcon Isle business into other fields of activity and general working capital.

KERAS RESOURCES PLC

CHAIRMAN'S STATEMENT

First Uranium initially acquired a 10.03% interest in the Company by participating in the above Capital raise and, subsequent to this, AxCap Ventures, an associated company of First Uranium, accumulated a further 7.04% interest in Keras through on-market trades. First Uranium's support for the Company is part of their focus on developing a portfolio of assets in the North American phosphate market as it sees this as a key growth commodity within the resource sector.

Directors and Management

Graham Stacey, who has been COO since 2020, was appointed to the Board in November 2021 and assumed responsibility for the Diamond Creek mine in March 2022. He is in the process of relocating from Johannesburg to Utah. On 1 June 2022 Graham took over the role of Chief Executive Officer from Russell Lamming, who has become a Non-Executive Director. I would like to welcome Graham to the Board and thank Russell for his untiring work during his tenure as CEO.

Later in the year, on 1 September 2022, Russell will take over from me as Non-Executive Chairman. I will remain a Non-Executive Director and Company Secretary, and I will continue to provide oversight of the Company's finances.

Outlook

With the closing of the £1.95m capital raise and securing 100% of our high-grade organic phosphate Diamond Creek mine, we believe the Company is excellently positioned to deliver into the growing organic agricultural sector. This sector is underpinned by the macro-economic tailwinds of the global fertiliser markets, and we remain bullish on our premium phosphate product and our position as we continue to build market share.

Plans for expansion to broaden our product mix are under way and we continue to negotiate new offtake agreements with our repeat customers. The construction of a downstream granulator plant is planned for 2022 to allow us to further expand the range of our products from five sized dry products to include two sized granulated products which will attract a price premium in markets that we are not currently supplying. Now that we are fully in charge of operations the Directors are confident that Falcon Isle will be a profitable and valuable asset for the Group, and we look forward to updating our shareholders on our progress as we continue to ramp up the production profile and build our position and market share of the fast-growing US organic phosphate market.

Finally, I would like to take this opportunity to thank my colleagues on the Board and our management team for their hard work, and shareholders for their continuing support.



Brian Moritz

Chairman

29 June 2022

KERAS RESOURCES PLC

STRATEGIC REPORT

Having acquired 100% control of the Diamond Creek asset, the Group's strategy is to progressively enhance shareholder value through building market share for its products within the North American organic fertilizer market. At the same time ongoing value engineering initiatives will continue to streamline operations and rationalise costs to ensure consistent product quality and volumes, all aimed at increasing margins. In the longer-term, enhancing value of that asset will involve both organic expansion as well as identifying value-accretive projects/businesses with natural synergies to increase scale and to add value to the Company.

Diamond Creek is one of the highest-grade organic phosphate mines in the US, and the Company's purpose is to build the operation into the premier organic phosphate producer in the US. Keras supports sustainable, regenerative agriculture and is an advocate for the benefits of enhancing soil health. Diamond Creek's organic phosphate fertiliser products can help farmers realise better crop growth and yields, reduce soil degradation, build and maintain soil organic matter to improve overall soil health, and ultimately reduce CO₂ levels in the atmosphere through carbon sequestration.

Organic fertilizers' significantly lower carbon footprint relative to traditional synthetic/chemical fertilizers and will continue to support demand and pricing for organic replacements including rock phosphate. Keras is therefore also looking at developing opportunities around carbon sequestration and the associated carbon credits to further augment its business and enhance shareholder value. Diamond Creek's organic phosphate products have the potential to tap directly into this rapidly growing market and the Company is looking at developing and enhancing the value of this aspect of its portfolio and in-turn generate greater returns for shareholders.

The Group's business model has established the Company as an efficient, high-quality and low-cost producer direct into the North American fertiliser market.

During the reporting period the Group was focussed largely on developing operations at Diamond Creek to maximise operational efficiencies, build market share and generate cashflow. The mine is owned by Falcon Isle, in which the Company held a 51% equity interest during the reporting period, subsequently increasing this to 100% in March 2022.

The Company is aware of a national geophysical survey being undertaken by the Togolese Ministry of Mines and Energy and we do not expect the permitting process at our Nayéga manganese project to be concluded prior to the survey being completed.

In exploring and developing mines to exploit mineral deposits, the Group accepts that not all its exploration will be successful but also that the rewards for success can be high. It therefore expects that its shareholders will be invested for potential capital growth, taking a long-term view of management's good track record in mineral discovery and development. The Directors have continued to invest in the Company and currently hold approximately 21.3% of the issued shares in Keras, after allowing for the substantial fund raisings since the period end. We believe this stake provides further evidence of the Board's belief in and commitment to its strategy.

To date, the Group has financed its activities through equity raisings. As the Group's projects become more advanced, the Board will seek mining and/or offtake finance and may also investigate strategic opportunities to obtain funding for projects from future customers via pre-payments, royalties, and other marketing arrangements.

Financial and Performance Review

Turnover in the period under review comprised sales of phosphate fertilisers by Falcon Isle. Turnover of £452,000 was constrained by construction of the processing plant, which was only operational for the final six months of the period, as well as the problems with working capital referred to previously.

KERAS RESOURCES PLC

STRATEGIC REPORT

The results of the Group are set out in detail in the financial statements. The Group reports a loss for the period of £1,948,000 (2020: loss £1,257,000).

Fixed assets total £5,375,000 (2020: £1,332,000), which includes the bulk sample plant and associated infrastructure at the Nayéga project, and the Falcon Isle processing plant totalling £544,000 (2020: £262,000).

The Directors have assessed the carrying values of Falcon Isle and SGM and no impairment has been deemed necessary.

Key Performance Indicators (KPIs)

During the period the Board monitored the following KPIs:

- Cash flow and working capital:
 - Short (<3 months) and long-term cashflow models are prepared to monitor and forecast the Group's funding needs;
 - Management accounts prepared on a monthly basis for the Group's key subsidiaries and quarterly on a consolidated basis.

Mining projects

North America

Keras acquired an interest in Falcon Isle, holder of the Diamond Creek phosphate mine, in July 2020, and increased its interest to 51% in December 2020. Keras acquired the outstanding 49% post the reporting period in March 2022. The mine is situated approximately 80km SSE of Salt Lake City, Utah. Diamond Creek is a fully permitted, high-grade direct shipping ore ("DSO"), low capex organic phosphate mine, which has significant historical estimated in-situ tonnage (mineral resources have not been classified according to modern International Reporting Standards) with sufficient phosphate ore exposed in-situ to provide for the 2022 and 2023 mining seasons before any overburden stripping is required. The phosphate mineralisation is concentrated in the shale beds of the Meade Peak Member of the Phosphoria Formation. The mineralised zone is c.3m thick at the base of the Meade Peak Member and averages 23% total P₂O₅ with guaranteed available P₂O₅ of 12%. Historic reports vary with "surface mineable resources" ranging from 3.10Mt to 4.60Mt. At an internally estimated peak production rate of 23.5ktpa, the opencast resources alone represent a significant mine life.

The 2021 mining campaign was completed in October 2021 with a total of 8,520 ore tons extracted from the mine. Beneficiation during the reporting period was undertaken through a combination of contractor toll-milling (producing 10mesh and -50mesh products) and Falcon Isle owned milling infrastructure. A new high-pressure rolls milling plant was successfully commissioned during June 2021 which has the capacity to produce steady-state product of 23,500 tons per month. The plant comprises front-end feed, primary crush, milling, dust extraction, 50lb and 1ton bagging circuits to produce a range of products including -50 mesh, -100 mesh and -350 mesh powders in either 50lb bags or 1ton bags (totes). A granulation plant was procured and delivered to our Spanish Fork site during September 2021 with construction and commissioning planned for the second half of 2022 which will further broaden our product range to include high margin granulated organic phosphate.

The product has received Organic Certification by all three key certification agencies in the USA – California (CDFA), Washington State (WSDA) and the federal Organic Materials Review Institute (OMRI). As a Direct Shipping Ore (DSO) it requires no chemical/synthetic upgrade processes. Our rock contains low heavy metal impurities, significantly higher available P₂O₅ than any other organic rock phosphate in North America, and a calcium content of >25%.

KERAS RESOURCES PLC

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Africa

Keras currently holds an 85% interest in the Nayéga manganese project in Togo, which covers 19,903 hectares in northern Togo, held through Société Générale des Mines SA (SGM). As set out in the Chairman's Statement, SGM is still waiting for the issue of the exploitation permit.

Sustainability

Keras is committed to responsible mining and upholding ESG best practice across our business. We care about all our stakeholders and are focused on looking to create value and benefits for all whilst seeking to manage and mitigate the potential impacts that our operations may have. We are focussed on mining an essential resource that can contribute to a more sustainable future and importantly sustainable and regenerative agriculture. With the Diamond Creek mine we are running a simple operation with only crushing & milling requirements and will look to maintain our low carbon footprint. We are focused on meeting our commitments across the ESG space and will continue to be proactive in this area as we look to develop and sustain a positive legacy.

Risk Management

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible.

The principal risks and uncertainties facing the Group at this stage in its development are:

Market Risk

Unlike marketing globally traded, indexed commodities into international markets, growing market share within the niche organic fertiliser market within North America presents risk in terms of pricing and volume.

The Group has employed a head of marketing to develop and implement a marketing strategy which will be a key focus area to build market share. The business has a range of existing customers, three of which are anchor clients having provided commitments to purchase a pleasing base load of our planned annual production. Our marketing strategy rollout will include presence at industry trade exhibitions and conferences, as well as regular regional direct contact visits with a comprehensive schedule of contacts within the wholesale and distribution segments of the organic fertiliser market. Our business model will largely be driven by uptake from co-operative type clients with wide distribution networks, rather than selling directly to farmers themselves.

Exploration Risk

The Group's business has been primarily mineral exploration and evaluation which are speculative activities and whilst the Directors are satisfied that good progress is being made, there is no certainty that the Group will be successful in the definition of economic mineral deposits, or that it will proceed to the development of any of its projects or otherwise realise their value.

The Group aims to mitigate this risk when evaluating new business opportunities by targeting areas of potential where there is at least some historical drilling or geological data available.

Resource Risk

All mineral projects have risk associated with defined grade and continuity. Mineral reserves and resources are calculated by the Group in accordance with accepted industry standards and codes but are always subject to uncertainties in the underlying assumptions which include geological projection and commodity price assumptions.

KERAS RESOURCES PLC

STRATEGIC REPORT

The Group reports mineral resources and ore reserves in accordance with internationally approved codes where our operations/projects are located, which set minimum standards for public reporting of mineral exploration results, mineral resources and ore reserves.

Development Risk

Delays in permitting, financing and commissioning a project may result in delays to the Group meeting development and/or production targets. Changes in commodity prices can affect the economic viability of mining projects and affect decisions on continuing exploration activity.

Mining and Processing Technical Risk

Notwithstanding the completion of metallurgical testwork, trial mining and pilot studies indicating the technical viability of a mining operation, variations in mineralogy, mineral continuity, ground stability, ground water conditions and other geological conditions may still render a mining and processing operation economically or technically non-viable.

The Group has a small team of mining professionals experienced in geological evaluation, exploration, financing and development of mining projects. To mitigate development risk, the Group supplements this from time to time with engagement of external expert consultants and contractors.

Environmental Risk

Exploration and development of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project. Once a project is in production unforeseen events can give rise to environmental liabilities.

As Keras undertakes mining operations, any disturbance to the environment during this phase is required to be rehabilitated in accordance with the prevailing regulations of the countries in which we operate as well as to international best-practice.

Given the Group's size and scale it is not considered practical or cost effective to collect and report data on carbon emissions.

Financing & Liquidity Risk

The Group has had an ongoing requirement to fund its activities through the equity markets and may in future need obtain finance for further project development. There is no certainty such funds will be available when needed. To date, Keras has managed to raise funds primarily through equity placements despite the very difficult markets that currently exist for raising funding in the junior mining industry.

Political Risk

All countries carry political risk that can lead to interruption of activity. Politically stable countries can have enhanced environmental and social permitting risks, risks of strikes and changes to taxation whereas less developed countries can have, in addition, risks associated with changes to the legal framework, civil unrest and government expropriation of assets.

Partner Risk

Whilst there has been no past evidence of this, the Group can be adversely affected if joint venture or equity partners are unable or unwilling to perform their obligations or fund their share of future developments. Keras no longer operates with either equity or joint venture partners having secured 100% of the Diamond Creek project.

KERAS RESOURCES PLC

STRATEGIC REPORT

Bribery Risk

The Group has adopted an anti-corruption and bribery policy and whistle blowing policy under the Bribery Act 2010. Notwithstanding this, the Group may be held liable for offences under that Act committed by its employees or subcontractors, whether or not the Group or the Directors had knowledge of the commission of such offences.

Financial Instruments

Details of risks associated with the Group's financial instruments are given in Note 25 to the financial statements. Keras does not utilise any complex or derivative financial instruments.

COVID-19

Travel and shipping restrictions in place globally during 2021 had a direct impact on timing and cost of delivery of plant and equipment to the USA. However, given recent developments the Directors do not believe that Covid 19 will have a material effect on the Company or its operations going forward.

Insurance Coverage

The Group maintains a suite of insurance coverage that is appropriate for the Group and Company. This is arranged via a specialist mining insurance broker and coverage includes public and products liability, travel, property and medical coverage and assistance while Group employees and consultants are travelling on Group business. This is reviewed at least annually and adapted as the Group's scale and nature of activities changes. Keras also has Directors and Officers insurance in place.

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 on a timely basis 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 practically possible. The Directors review the effectiveness of internal financial control at least annually.

The Board, subject to delegated authority, reviews capital investment, property sales and purchases, additional borrowing facilities, guarantees and insurance arrangements.

The Board takes account of the significance of social, environmental and ethical matters affecting the business of the Group. At this stage in the Group's development the Board has not adopted a specific policy on Corporate Social Responsibility as it has a limited pool of stakeholders other than its shareholders. Rather, the Board seeks to protect the interests of Keras' stakeholders through individual policies and through ethical and transparent actions.

The Group has adopted an anti-corruption and bribery policy and a whistle blowing policy as stated previously.

Shareholders

The Directors are always prepared, where practicable and subject to confidentiality under the AIM Rules, to enter into dialogue with shareholders to promote a mutual understanding of objectives. The Annual General Meeting provides the Board with an opportunity to informally meet and communicate directly with investors.

STRATEGIC REPORT

Employees

The Group operates primarily through contractors. Notwithstanding this, the Group engages its employees to understand all aspects of the Group's business and seeks to remunerate its employees fairly, being flexible where practicable. The Group gives full and fair consideration to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs, transgender status or sexual orientation. The Group takes account of employees' interests when making decisions and welcomes suggestions from employees aimed at improving the Group's performance.

The Group currently operates in the USA and Togo. It recruits locally as many of its employees and contractors as practicable.

The Company has four directors, all are male.

Suppliers and Contractors

The Group recognises that the goodwill of its contractors, consultants and suppliers is important to its business success and seeks to build and maintain this goodwill through fair dealings. The Group has a prompt payment policy and seeks to settle all agreed liabilities within the terms agreed with suppliers. Contractors are appointed based on a detailed assessment of their capabilities, capacity and track record.

Health and Safety

The Board recognises that it has a responsibility to provide strategic leadership and direction in the development of the Group's health and safety strategy in order to protect all of its stakeholders. The Group does not have a formal health and safety policy at this time. This is re-evaluated as and when the Group's nature and scale of activities expand.

Section 172 statement

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long-term;
- Act fairly between the members of the Company;
- Maintain a reputation for high standards of business conduct;
- Consider the interests of the Company's employees;
- Foster the Company's relationships with suppliers, customers and others; and
- Consider the impact of the Company's operations on the community and the environment.

The Company's operations and strategic aims are set out throughout the Strategic Report and in the Chairman's Statement, and relationships with stakeholders are also dealt with in the Corporate Governance Statement



Graham Stacey (Director)

This Strategic Report was approved by the Board of Directors on 29 June 2022

KERAS RESOURCES PLC

THE BOARD

BRIAN MORITZ

Non-Executive Chairman

Brian is a Chartered Accountant and former Senior Partner of Grant Thornton, London. He formed Grant Thornton's Capital Markets Team which floated over 100 companies on AIM under his chairmanship. In 2004 he retired from Grant Thornton to concentrate on bringing new companies to the market as a director. He concentrates on mining companies, primarily in Africa, and was formerly chairman of African Platinum PLC (Afplats) and Metal Bulletin PLC as well as currently being chairman of several junior mining companies.

GRAHAM STACEY

Chief Executive Officer – from 1 June 2022

Graham holds an honours degree in Mining Engineering from WITS University in Johannesburg (1995), and an MBA from the WITS Business School (2004) and a Mine Manager's Certificate of Competency (2001). Graham has over 25 years' experience across a range of commodities in the resources sector, including direct operational management in the coal, PGE and chrome businesses in South Africa, manganese in Togo and rock phosphate in the USA, as well in a technical consulting role (2004-2008). He is a Competent Person and Competent Valuator as a longstanding member of the South African Institute of Mining and Metallurgy (SAIMM), and has wide ranging experience in mine design, project execution, operations and mineral resource management. He was previously a director of AIM listed Chromex Mining. Following the acquisition of 100% of Falcon Isle he has been appointed as MD of that company.

RUSSELL LAMMING

Non-Executive Director – from 1 June 2022

Russell Lamming is a qualified geologist with an honours degree in geology from the University of the Witwatersrand and a Bachelor of Commerce in Economics from the University of Natal. Russell has a broad range of experience including directorship of a South African mining consultancy and precious metals analyst for a leading international broker and was the CEO of AIM listed Chromex Mining and Goldplat Plc. He has strong relationships in London and internationally and has raised considerable funds for resource companies over the years.

DAVE REEVES

Non-Executive Director

Dave holds a first class honours degree in mining engineering from the University of New South Wales, a graduate diploma in applied finance and investment from the Securities Institute of Australia, and a Western Australian first class mine managers certificate of competency. He has over 25 years' experience and has operated in Australia, Africa and Europe in gold, precious metals, mineral sands, bulks and copper. He is Managing Director of Calidus Resources Limited.

CORPORATE GOVERNANCE STATEMENT

To the extent applicable, and to the extent able (given the current size and structure of the Company and the Board), the Company has adopted the Quoted Companies Alliance Corporate Governance Code. Details of how the Company complies with the principles contained in the Code are set out below.

No key governance matters have arisen since the publication of the last Annual Report.

Taking account of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed. Further disclosures under the Code are included on the Company's website.

Principle 1: Establish a strategy and business model which promote long term value for shareholders.

The Company's strategy is to identify mining projects which can be developed to create value and income for shareholders. In June 2017 this strategy was successfully demonstrated when the Company's Australian gold exploration assets were floated on the Australian Securities Exchange (ASX) with the name Calidus Resources Limited. In November 2019 the Company's shares in Calidus were demerged and transferred to the Company's shareholders by way of a capital reduction.

The demerger has permitted the Board to examine other projects, and in particular the Diamond Creek phosphate mine in Utah, USA, where the Company has completed the staged acquisition of a controlling 51% equity interest in December 2020, and the balance of 49% equity interest in March 2022. This is now the Company's main project.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The risks facing the Company are detailed in the Strategic Report. The Board seeks to mitigate such risks so far as it is able to do, but certain important risks cannot be controlled by the Board.

In particular, products the Company is seeking to identify and ultimately mine are traded globally at prices reflecting supply and demand rather than the cost of production. So far as the Company is concerned, the substantial decline in the price of iron ore rendered two previous projects non-viable, both of which had appeared to have substantial value on a discounted cash flow basis, and they were abandoned.

While the Company will only invest in exploration projects where there is a legal right to convert an initial exploration licence to a mining licence, in practice it may be difficult to obtain such conversion for political reasons. There is no legal way that the Company can protect itself against this possibility.

Principle 5: Maintain the Board as well-functioning, balanced team led by the chair.

The Company will only begin to earn material income during the current period. The Board has four Directors, who have demonstrated their commitment to the Company by supporting fund raisings, with the result that they own, in aggregate, some 21.3% of the ordinary issued share capital. It follows that none of these directors is considered to be independent.

Graham Stacey, the CEO since 1 June 2022, works full time for the Company, with primary responsibility for the Diamond Creek phosphate mine in Utah, USA, which is now owned 100% by the Company. The other directors, Brian Moritz (the Chairman), Russell Lamming (CEO until 1 June 2022) and Dave Reeves, are non-executive directors. As directors are resident in several different time zones around the world, Board meetings are normally conducted by video conference or by telephone.

CORPORATE GOVERNANCE STATEMENT

The CEO is in constant touch with the Directors. He also holds frequent informal discussions with the non-executive directors. Throughout the period such discussions average approximately two per week.

Non-executive directors are committed to devote 30 days per annum to the Company, but in fact exceed that required time commitment. Prior to 1 April 2019 each of the non-executive directors has reduced his fees drawn to half of the contracted amount, to £15,000 per annum for the Chairman, Brian Moritz, and £12,000 per annum for Dave Reeves, non-executive director. Subsequently fees were increased to £42,000 per annum for the Chairman and £24,000 per annum for each non-executive director, still below the median for AIM companies, but more in line with the time commitments and efforts of the non-executive directors. Brian Moritz also acts as Company Secretary.

Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.

CVs of the directors are disclosed elsewhere in this Annual Report.

Each of the directors maintains up to date skills by a combination of technical journals and courses.

As an exploration and mining Company the main skills required by the Board are in the area of geology and mining. Russell Lamming is a qualified geologist and Dave Reeves and Graham Stacey are qualified mining engineers. Each has a long history of achievement in this area. Importantly, each of them has also been in charge of the construction and operation of mines.

Brian Moritz is a Chartered Accountant. In addition to his financial skills, he has been registered as a Nominated Adviser and has wide experience of corporate transactions.

The advice of Azets, a top 10 UK accounting firm, is sought on technical accounting matters, in particular in relation to compliance with IFRS.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

The Board has successfully achieved a major objective by acquiring a phosphate mine in Utah, USA, constructing a processing plant and commencing production.

The Board will concentrate on achieving profitable production and positive cash flow from its existing projects while continuing to seek other mining projects.

Given the current state of the Company's development the directors believe that the Board operates efficiently and cost effectively and that the cost of an external review process is not justified.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours.

So far as possible the Company recruits locally for staff.

In Utah, the Group's product is a natural organic fertilizer which plays its part in reducing reliance on artificial manufactured fertilizers.

Company has adopted a comprehensive anti-corruption and whistle blowing policy and an ethical policy which is strictly applied.

CORPORATE GOVERNANCE STATEMENT

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Board communicates with its stakeholders through social media and webcasts, as well as by announcements on RNS. It welcomes the ability to meet and engage with shareholders at general meetings.

The audit committee normally meets twice per annum, on its own to consider and approve the interim results, and with the auditors to consider the annual report and matters raised by the auditors based on their audit. So far as possible recommendations by the auditors are immediately implemented. As the CEO is also present as an observer at such meetings, no further report is submitted to the Board.

The remuneration committee meets on an ad hoc basis when required. Fees paid to the non-executive directors are settled by the Chief Executive Officer, as the non-executive directors comprise the remuneration committee.

A handwritten signature in black ink, appearing to be 'B Moritz', with a stylized, flowing script.

Brian Moritz

Chairman

KERAS RESOURCES PLC

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group for the 15 month period ended 31 December 2021.

The Group's projects are set out in the Strategic Report.

Review of business and financial performance

Further details on the financial position and development of the Group are set out in the Chairman's Statement, the Strategic Report and the annexed financial statements.

Results

The Group reports a loss for the period of £2,014,000 (year to 30 September 2020: loss £1,242,000).

Major events after the balance sheet date

Since the end of the period the Company's equity interest in Falcon Isle has been increased from 51% to 100%, so that Falcon Isle is now a wholly owned subsidiary. Consideration for the acquisition of the 49% not previously owned is payable in three annual tranches, the first of which is due on 1 July 2022. The total consideration of \$ 3.2 million includes loans from the vendor to Falcon Isle of \$1,816,527, which will then be owed by Falcon Isle to the Company

Also, since the end of the period, the Company has raised £1.95 million by the issue of new Ordinary Shares as set out in Note 27.

Dividends

The Directors do not recommend payment of a dividend for the period ended 31 December 2021 (year ended 30 September 2020: £nil).

Political donations

There were no political donations during the period (year ended 30 September 2020: £nil).

Going concern

The Directors continue to adopt the going concern basis in preparing the financial statements as further explained in Note 2 to the financial statements.

Directors' indemnities

The Group maintains Directors and Officers liability insurance providing appropriate cover for any legal action brought against its Directors and/or officers.

Audit Committee

The Audit Committee, which comprises R Lamming and B Moritz, and is chaired by B Moritz, is responsible for ensuring the financial performance, position and prospects of the Group are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls. Meetings of the Audit Committee are held at least twice a year, at appropriate times in the reporting and audit cycle. The Audit Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility. The members of the Audit Committee are re-elected annually by the Board.

KERAS RESOURCES PLC

DIRECTORS' REPORT

Remuneration Committee

The Remuneration Committee, which comprises D Reeves and B Moritz and which is chaired by D Reeves, reviews the performance of the executive directors and sets their remuneration, determines the payment of bonuses to executive directors and considers the future allocation of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time to Directors and employees. Meetings of the Remuneration Committee are held on an ad hoc basis as required. The Remuneration Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility. The members of the Remuneration Committee are re-elected annually by the Board.

Directors

The following Directors held office throughout the period:

B Moritz
D Reeves
R Lamming
G Stacey (appointed 9 November 2021)

Directors' interests

The beneficial interests of the Directors holding office on 31 December 2021 in the issued share capital of the Company, including spouses of Directors, were as follows:

	31 December 2021		30 September 2020	
	Number of New Ordinary Shares	Percentage of issued ordinary share capital	Number of Old Ordinary Shares	Percentage of issued ordinary share capital
B Moritz	177,582,118	2.82%	106,627,178	2.19%
D Reeves ^{1,2}	861,942,616	13.69%	780,706,252	16.04%
R Lamming	416,184,497	6.61%	370,916,552	7.62%
G Stacey	43,739,000	0.69%	-	-

¹ 477,960,361 New Ordinary Shares are held by the Elwani Trust whose beneficiaries are the spouse and children of David Reeves. David Reeves is a trustee of the Elwani Trust.

² 11,597,223 New Ordinary Shares are held in the Bodmin Super Fund whose trustees and beneficiaries are David and Eleanor Reeves.

At 30 September 2020, D Reeves and R Lamming held 143,741,001 and 112,491,001 warrants entitling them to subscribe for the same number of ordinary shares at a price of 0.24p per share. The subscription rights lapsed on 31 August 2021. By subscribing for new ordinary shares under placings in December 2020 and January 2021, each of B Moritz, D Reeves and R Lamming received warrants entitling them to subscribe for new ordinary shares. The subscription rights in these warrants have also now lapsed.

On 26 April 2022 B Moritz, R Lamming and D Reeves, subscribed for 35,000,000, 45,000,000 and 120,000,000 new Ordinary Shares respectively at 0.12p per share. Each share subscribed

DIRECTORS' REPORT

received a warrant to subscribe for 1 new Ordinary Share at any time up to 31 May 2024, at an exercise price of 0.18p per share.

Directors' remuneration and service contracts

Details of remuneration payable to Directors as disclosed in note 10 to these financial statements:

	Remuneration	Share-based payments	15 months to 31 December 2021 Total £'000	Year to 30 September 2020 Total £ '000
	£'000	£'000	£'000	£ '000
B Moritz	52	-	52	42
D Reeves	30	-	30	24
R Lamming	219	18	237	318
G Stacey	15	7	22	-
	<u>316</u>	<u>25</u>	<u>341</u>	<u>384</u>

Statement of Directors' responsibilities

The Directors are responsible for preparing the strategic report, 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 Group and Parent Company financial statements in accordance with international accounting standards 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 Group and Parent Company and of the profit or loss of the Group and Parent Company 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 estimates that are reasonable and prudent;
- state whether the financial statements comply with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company'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 Company is compliant with AIM Rule 26 regarding the Company's website.

KERAS RESOURCES PLC

DIRECTORS' REPORT

Statement of disclosure to auditor

Each Director at the date of approval of this report confirms that;

So far as they are aware,

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

Auditor

A resolution to re-appoint PKF Littlejohn LLP as auditor will be proposed at the Annual General Meeting. PKF Littlejohn LLP has indicated its willingness to continue in office.

By order of the Board

A handwritten signature in black ink, appearing to be 'B Moritz', written over a horizontal line.

Brian Moritz
Director

29 June 2022

KERAS RESOURCES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KERAS RESOURCES PLC

Opinion

We have audited the financial statements of Keras Resources Plc (the 'parent company') and its subsidiaries (the 'group') for the 15 month period ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and Notes to the Consolidated Financial Statements, including 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's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the period 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 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 as applied to listed entities, 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included reviewing cashflow forecasts covering a period of 12 months from the date of approval of these financial statements, considering the levels of discretionary and non-discretionary expenditure forecasted, challenging and conducting sensitivity analysis using the key inputs and assumptions underpinning said forecasts, ascertaining the group and parent company's current cash position and reviewing the group and parent company's performance since the period end. Whilst the group made a significant loss in the period and has forecasted significant growth in revenues over the going concern period, the group and parent company has significant cash reserves and a notable proportion of the costs forecasted are discretionary therefore if forecasted growth targets are not met, discretionary costs could be reduced or deferred accordingly.

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 group's or parent company'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.

KERAS RESOURCES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KERAS RESOURCES PLC

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

Our application of materiality

For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed, or influenced. We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Materiality for the group financial statements as a whole was set as £109,000 (2020: £70,000). This was calculated based upon 2% of gross assets (2020: 2% of gross assets) due to the group's significant capitalised exploration costs and cash reserves being key balances of interest within the financial statements and the fact that though generating revenues, the group is not yet profit generating. Performance materiality and the triviality threshold for the consolidated financial statements was set at £76,300 (2020: £49,000) and £5,450 (£3,500) respectively due to the assessed risk and our accumulated knowledge of the group and parent company.

Materiality for the parent company financial statements as a whole was set as £43,700 (2020: £40,000). This was calculated based upon 5% of loss before tax (2020: 5% of loss before tax). Performance materiality and the triviality threshold for the parent company was set at £30,600 (2020: £28,000) and £2,185 (2020: £2,000) respectively due to the assessed risk and our accumulated knowledge of the parent company.

We also agreed to report to the audit committee any other audit misstatements below the triviality thresholds established above which we believe warranted reporting on qualitative grounds.

Our approach to the audit

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing, and extent of our audit procedures.

In designing our audit, we considered areas involving significant accounting estimates and judgements by the directors as well as future events that are inherently uncertain. These included the recoverable value of the group's capitalise exploration expenditure, the recoverable value of the parent company's investment in its subsidiary and the amounts due to the parent company by its subsidiaries. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We performed an audit of the financial information of the group's three components in order to obtain the assurance required for the group audit opinion. All of the components were assessed as being significant due to their results for the period, the value of their assets, liabilities and capital and reserves as at 31 December 2021 and the assessed risks in respect of their results for the period and their assets, liabilities and capital and reserves.

Of the four reporting components of the group, two are located in the United Kingdom, one is located in the United States of America and one is located in Togo. PKF Littlejohn LLP audited the ultimate parent company, situated in the United Kingdom, and its subsidiaries, situated in the United Kingdom, United States of America and Togo. The Engagement Partner conducted audit work in the United Kingdom but interacted regularly with the Management team in the United States of America and Togo during all stages of the audit and was responsible for the scope and direction of the audit process. This, in conjunction with additional procedures performed, gave us appropriate evidence for our opinion on the group financial statements.

KERAS RESOURCES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KERAS RESOURCES PLC

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Going Concern The group made a loss for the period ended 31 December 2021 totalling £1.948m. Given the level of cash held by the group at the period end, there is a risk that the group may need to raise further finance during the next 12 months in order to maintain its going concern status and may not be successful in raising said finance. See note 2 for disclosure of the Directors' justification for assessing the group as a going concern.	We obtained and reviewed Management's latest group and parent company cashflow forecasts covering the going concern period; challenging the key assumptions, reviewing the mathematical accuracy of the forecast and conducting sensitivity analysis. We ascertained the latest group cash position and performance post period end. It was ascertained that the group's forecasted net cash outflows over the going concern period were significantly less than the latest cash position. The forecast and the assumptions underpinning it were found to be reasonable.
Recoverability of Intangible Assets – prospecting and exploration rights The group has intangible assets of £4.606m million (note 14) as at 31 December 2021, comprising prospecting and exploration rights, which is tested annually for impairment. Where value in use is applicable, the estimated recoverable amount is subjective due to inherent uncertainty involved in forecasting and discounting future cashflows. For these reasons, this area required additional audit work to address the accounting estimation and uncertainty.	We confirmed the group held good title to the underlying exploration licenses and assessed whether any indicators of impairment exist. Where applicable, we reviewed management's value in use calculations to include the key assumptions therein. We performed sensitivity analysis on the headroom to probable changes in key assumptions. The exploration and evaluation assets were assessed with reference to the criteria listed within International Financial Reporting Standard 6, to include whether:

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KERAS RESOURCES PLC**

	• The licences are not expected to be renewed upon expiry; • Substantive expenditure on further exploration and evaluation is not budgeted or planned; and • Exploration and evaluation work to date indicates that the carrying amount is unlikely to be recovered from further development or sale. We consider Management's assessment of impairment is reasonable in concluding that no impairment is required to be recognised at the period end.
Classification and accounting of investment in Falcon Isle Resources and loan to Falcon Isle Resources	
During the period, the parent company entered into an agreement to obtain an additional 11% stake in Falcon Isle Resources which brought their total shareholding to 51%, which the directors deem to have given them control of the company. In the prior period, it was an associate. Therefore, there is a risk that the investment has not been accounted for in accordance with IFRS 3, IAS 28 and IFRS 10. There is also a risk that the investment in Falcon Isle and any amounts loaned to them during the period have not been accounted for correctly and may not be fully recoverable. See note 15 for disclosure made in respect of the accounting for this acquisition.	We confirmed that the parent company had gained control over Falcon Isle Resources and that the acquisition fell within the scope of IFRS 3. We reviewed the step acquisition accounting, the calculation of the loss on change of ownership and the calculation of goodwill arising on acquisition. Following the fair value uplift to capitalised exploration costs, no goodwill arose on the acquisition. We reviewed the accounting for the investment in the parent company following the step acquisition. We obtained Management's investment in subsidiary and intragroup loan receivable impairment assessment and challenged the key assumptions made by Management. We considered Management's assessment of impairment, obtained the discounted cashflow supporting their assessments and challenged the key inputs and assumptions underpinning in said assessment.

KERAS RESOURCES PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KERAS RESOURCES PLC

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company 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 period 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 parent company and their 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, the directors are responsible for the preparation of the group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KERAS RESOURCES PLC**

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

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and our cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from UK Company Law, rules applicable to issuers on AIM, including the FCA Listing Rules and the Disclosure Guidance and Transparency Rules.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
 - Discussions with management regarding compliance with laws and regulations by the parent company and the components;
 - Review of board minutes; and
 - Review of regulatory news announcements made throughout and post period-end.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, we identified the potential for management bias was identified in relation to the impairment of capitalised exploration expenditure I and we addressed this by challenging the assumptions and judgements made by management when auditing that significant accounting estimate.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; discussing with management as to whether there were any instances or suspicions of fraud since 1 October 2020 within the parent company or components and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

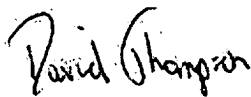
KERAS RESOURCES PLC

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KERAS RESOURCES PLC**

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 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.



**David Thompson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor**

15 Westferry Circus
Canary Wharf
London E14 4HD

29 June 2022

KERAS RESOURCES PLC
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

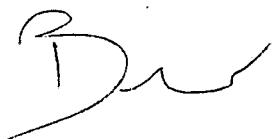
	Notes	15 months ended 31 December 2021 £'000	Year ended 30 September 2020 £'000
Continuing operations			
Revenue		452	-
Cost of sales		(496)	-
Gross profit		(44)	-
Administrative and exploration expenses		(1,448)	(1,235)
Loss from operating activities		(1,492)	(1,235)
Finance costs	11	(43)	(3)
Net finance costs		(43)	(3)
Share of net loss of associates accounted for using the equity method		(116)	(4)
Loss on change of ownership	15	(363)	-
Loss before taxation		(2,014)	(1,242)
Tax	12	-	-
Loss for the period/year		(2,014)	(1,242)
Other comprehensive income – items that may be subsequently reclassified to profit or loss			
Exchange translation on foreign operations		66	(15)
Total comprehensive loss for the period/year		(1,948)	(1,257)
Loss attributable to:			
Owners of the Company		(1,729)	(1,181)
Non-controlling interests		(285)	(61)
Loss for the period/year		(2,014)	(1,242)
Total comprehensive loss attributable to:			
Owners of the Company		(1,670)	(1,194)
Non-controlling interests		(278)	(63)
Total comprehensive loss for the period/year		(1,948)	(1,257)
Earnings per share			
Basic and diluted loss per share (pence)	22	(0.033)	(0.040)

The notes on pages 34 to 63 are an integral part of these consolidated financial statements.

KERAS RESOURCES PLC
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

		31 December 2021 £'000	30 September 2020 £'000
	Notes		
Assets			
Property, plant and equipment	13	554	263
Intangible assets	14	4,606	1,069
Right of use asset	16	215	-
Investments accounted for using the equity method	15	-	1,622
Non-current assets		<u>5,375</u>	<u>2,954</u>
Inventory	18	273	-
Other investments	16	-	-
Trade and other receivables	19	94	83
Cash and cash equivalents	20	166	438
Current assets		<u>533</u>	<u>521</u>
Total assets		<u>5,908</u>	<u>3,475</u>
Equity			
Share capital	21	630	487
Share premium		4,033	2,637
Other reserves		111	16
Retained (deficit)/earnings		(1,721)	8
Equity attributable to owners of the Company		<u>3,053</u>	<u>3,148</u>
Non-controlling interests		229	(140)
Total equity		<u>3,282</u>	<u>3,008</u>
Liabilities			
Trade and other payables	24	1,658	467
Lease liabilities - current	16	107	-
Current liabilities		<u>1,765</u>	<u>467</u>
Trade and other payables	24	749	-
Lease liabilities - non-current	16	112	-
Non-current liabilities		<u>861</u>	<u>-</u>
Total liabilities		<u>2,626</u>	<u>467</u>
Total equity and liabilities		<u>5,908</u>	<u>3,475</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2022.
They were signed on its behalf by:



Brian Moritz,
Director

The notes on pages 34 to 63 are an integral part of these consolidated financial statements.

KERAS RESOURCES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021

	Share capital	Attributable to owners of the Company				Retained earnings/ (deficit)	Total	Non- controlling interests	Total equity
		Share premium	Share option /warrant reserve	Exchange reserve	Financial assets at FVOCI				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2020	487	2,637	63	(47)	-	8	3,148	(140)	3,008
Loss for the period	-	-	-	-	-	(1,729)	(1,729)	(285)	(2,014)
Other comprehensive income	-	-	-	58	-	-	58	8	66
Total comprehensive loss for the period	-	-	-	58	-	(1,729)	(1,671)	(277)	(1,948)
Issue of ordinary shares	143	1,469	-	-	-	-	1,612	-	1,612
Costs of share issue	-	(73)	-	-	-	-	(73)	-	(73)
Share-based payment transactions	-	-	37	-	-	-	37	-	37
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	646	646
Transactions with owners, recognised directly in equity	143	1,396	37	-	-	-	1,576	646	2,222
Balance at 31 December 2021	630	4,033	100	11	-	(1,721)	3,053	229	3,382

The notes on pages 34 to 63 are an integral part of these consolidated financial statements.

KERAS RESOURCES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Attributable to owners of the Company								
	Share capital	Share premium	Share option reserve	Exchange reserve	Financial assets at FVOCI	Retained (deficit)/ earnings	Total	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2019	7,266	10,938	-	(33)	3,459	(10,310)	11,320	(76)	11,244
Loss for the year	-	-	-	-	-	(1,181)	(1,181)	(61)	(1,242)
Other comprehensive income	-	-	-	(16)	-	4	(12)	(3)	(15)
Total comprehensive loss for the year	-	-	-	(16)	-	(1,177)	(1,193)	(64)	(1,257)
Capital reduction	(7,023)	(10,938)	-	-	-	17,961	-	-	-
Demerger and recycling of OCI reserve	-	-	-	-	(3,459)	(6,464)	(9,923)	-	(9,923)
Issue of ordinary shares	244	2,718	-	-	-	-	2,962	-	2,962
Costs of share issue	-	(81)	-	-	-	-	(81)	-	(81)
Share-based payment transactions	-	-	63	-	-	-	63	-	63
Transfer	-	-	-	2	-	(2)	-	-	-
Total transactions with owners, recognised directly in equity	(6,779)	(8,301)	63	2	(3,459)	11,495	(6,979)	-	(6,979)
Balance at 30 September 2020	487	2,637	63	(47)	-	8	3,148	(140)	3,008

The notes on pages 34 to 63 are an integral part of these consolidated financial statements.

KERAS RESOURCES PLC
**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

	15 months ended 31 December 2021 £'000	Year ended 30 September 2020 £'000
Cash flows from operating activities		
Loss from operating activities	(2,014)	(1,242)
Adjustments for:		
Depreciation and amortisation	172	76
Share of loss of equity accounted associate	116	4
Compensation on cancellation of SARS scheme	-	120
Equity-settled share-based payments	37	63
Foreign exchange differences	73	(39)
	<u>(1,616)</u>	<u>(1,018)</u>
Changes in:		
- inventory	(216)	-
- trade and other receivables	111	2
- trade and other payables	540	278
Cash generated by/(used in) operating activities	<u>(1,181)</u>	<u>(738)</u>
Finance costs	-	-
Taxes paid	-	-
Net cash generated by/(used in) operating activities	<u>(1,181)</u>	<u>(738)</u>
Cash flows from investing activities		
Cash acquired on acquisition (note 15)	158	-
Acquisition of property, plant and equipment	(188)	-
Exploration and licence expenditure	(538)	(1)
Investment in associate	-	(938)
Net cash used in investing activities	<u>(568)</u>	<u>(939)</u>
Cash flows from financing activities		
Net proceeds from issue of share capital	1,477	1,931
Net cash flows from financing activities	<u>1,477</u>	<u>1,931</u>
Net (decrease)/increase in cash and cash equivalents	(272)	254
Cash and cash equivalents at beginning of period/year	438	184
Cash and cash equivalents at 31 December/30 September	<u>166</u>	<u>438</u>

The following significant non-cash transactions took place in the period ended 31 December 2021:

- Shares were issued to settle a total of £55,000 due to creditors.
- The investment in Falcon Isle became a subsidiary as detailed in note 15 and the assets and liabilities were acquired.

The notes on pages 34 to 63 are an integral part of these consolidated financial statements.

KERAS RESOURCES PLC

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Notes	31 December 2021 £'000	30 September 2020 £'000
Assets			
Property, plant and equipment	13	2	-
Investments	15	1,959	1,622
Non-current assets		<u>1,961</u>	<u>1,622</u>
Other investments	16	-	-
Loans	17	2,081	1,534
Trade and other receivables	19	20	70
Cash and cash equivalents	20	122	428
Current assets		<u>2,223</u>	<u>2,032</u>
Total assets		<u>4,184</u>	<u>3,654</u>
Equity			
Share capital	21	630	487
Share premium		4,033	2,637
Other reserves		100	63
Retained earnings/(deficit)		(729)	285
Total equity attributable to owners of the Company		<u>4,034</u>	<u>3,472</u>
Liabilities			
Trade and other payables	24	150	182
Current liabilities		<u>150</u>	<u>182</u>
Total liabilities		<u>150</u>	<u>182</u>
Total equity and liabilities		<u>4,184</u>	<u>3,654</u>

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company profit and loss account. The Parent Company loss for the period was £1,014,000 (year to 30 September 2020: loss of £811,000).

The financial statements of Keras Resources PLC, company number 07353748, were approved by the Board of Directors and authorised for issue on 29 June 2022. They were signed on its behalf by:



Brian Moritz, Director

The notes on pages 34 to 63 are an integral part of these consolidated financial statements.

KERAS RESOURCES PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2021

	Share capital	Share premium	Share option /warrant reserve	Financial assets at FVOCI	Retained earnings/ (deficit)	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2019	7,266	10,938	-	3,459	(10,401)	11,262
Loss for the year	-	-	-	-	(811)	(811)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(811)	(811)
Capital reduction	(7,023)	(10,938)	-	-	17,961	-
Demerger and recycling of OCI reserve	-	-	-	(3,459)	(6,464)	(9,923)
Issue of ordinary shares	244	2,718	-	-	-	2,962
Costs of share issue	-	(81)	-	-	-	(81)
Share-based payment transactions	-	-	63	-	-	63
Transactions with owners, recognised directly in equity	(6,779)	(8,301)	63	(3,459)	11,497	(6,979)
Balance at 30 September 2020	487	2,637	63	-	285	3,472
Balance at 1 October 2020	487	2,637	63	-	285	3,472
Loss for the period	-	-	-	-	(1,014)	(1,014)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(1,014)	(1,014)
Issue of ordinary shares	143	1,469	-	-	-	1,612
Costs of share issue	-	(73)	-	-	-	(73)
Share-based payment transactions	-	-	37	-	-	37
Transactions with owners, recognised directly in equity	143	1,396	37	-	-	1,576
Balance at 31 December 2021	630	4,033	100	-	(729)	4,034

The notes on pages 34 to 63 are an integral part of these consolidated financial statements.

KERAS RESOURCES PLC

**COMPANY STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

	15 months ended 31 December 2021 £'000	Year ended 30 September 2020 £'000
Cash flows from operating activities		
Loss from operating activities	(1,014)	(811)
Adjustments for:		
Depreciation	1	-
Share of loss of associate	116	4
Impairment/write off of loan	-	4
Compensation on cancellation of SARS scheme	-	120
Equity-settled share-based payments	37	63
Changes in:		
- trade and other receivables	50	14
- trade and other payables	23	25
Cash generated by/(used in) operating activities	(787)	(581)
Finance costs	-	-
Net cash generated by (used in) operating activities	(787)	(581)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3)	-
Investment in associate/subsidiary	(446)	(938)
Net cash used in investing activities	(449)	(938)
Cash flows from financing activities		
Net proceeds from issue of share capital	1,477	1,931
Loans (to)/repaid by subsidiaries	(547)	(159)
Net cash flows from financing activities	930	1,772
Net increase/(decrease) in cash and cash equivalents	(306)	253
Cash and cash equivalents at beginning of period/year	428	175
Cash and cash equivalents at 31 December/30 September	122	428

The following significant non-cash transactions took place in the period ended 31 December 2021:

- Shares were issued to settle a total of £55,000 due to creditors.

The notes on pages 34 to 63 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

1. Reporting entity

Keras Resources PLC is a company domiciled in England and Wales. The address of the Company's registered office is Coveham House, Downside Bridge Road, Cobham KT11 3EP. The Group currently operates as a miner of and explorer for mineral resources. The accounting reference date has changed to 31 December to be coterminous with the main trading subsidiaries.

2. Going concern

The Directors have adopted the going concern basis in preparing the Group and Company financial statements. The Group's and Company's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Strategic Report. In addition, note 25 to the Financial Statements includes the Group's policies and processes for managing its financial risk management objectives.

Since the end of the period, the Company has agreed to acquire the minority 49% interest in Falcon Isle, and to repay loans made by the vendor to Falcon Isle, for a total consideration of \$3.2 million. This amount is payable in four annual instalments of \$800,000 commencing on 1 July 2022.

Also since the end of the period, the Company has raised a further £1.95 million, before costs, by the issue of New Ordinary Shares. Part of this will be used to pay the first instalment of \$800,000 to the vendor of Falcon Isle.

The Nayéga mine in Togo is in a position to commence operations when the exploitation licence is granted. Capital expenditure to expand production and working capital will be primarily provided in the short term by a loan in association with an offtake agreement which has been agreed in principle. Should the Company divest its interest in the Nayéga mine, this is expected to be a cash flow positive transaction.

The Directors do not believe that Covid 19 has had a material effect on the Company or its operations other than travel restrictions which have restricted the ability of management to visit operations. This has been mitigated by increased home working and use of electronic communications. Such travel restrictions have now been removed in most instances.

On this basis, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. As such, the Directors continue to adopt the going concern basis of accounting.

3. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the Companies Act 2006 ("IFRSs"), and the Companies Act 2006 as applicable to entities reporting in accordance with IFRS.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis unless otherwise stated.

(c) Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling ('GBP' or '£'), which is the Group's functional currency and is considered by the Directors to be the most appropriate presentation currency to assist the users of the financial statements. All financial information presented in GBP has been rounded to the nearest thousand, except when otherwise indicated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

3. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods of the revision if it affects both current and future periods.

Critical estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and/or have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- | | |
|---|------------------------|
| • Carrying value of intangible assets | - Notes 4(e)(i) and 14 |
| • Intercompany receivables (Company only) | - Note 19 |
| • Carrying value of investment in associate | - Note 15 |
| • Fair value of share options and warrants | - Note 21 |

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. On disposal of subsidiaries, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This might mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

4. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Associates

Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost. Loans to associates denominated in US\$ are recognised in sterling in the financial statements at the period end exchange rate.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

(i) Foreign operations

The assets and liabilities of foreign operations, including goodwill and the fair value adjustments arising on acquisition, are translated to GBP at exchange rates at the reporting date. The income and expenses of foreign operations are translated to GBP at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve except to the extent that the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

4. Significant accounting policies (continued)

(c) Financial instruments

(i) Financial assets

The Group's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and financial assets at fair value through other comprehensive income in the consolidated statement of financial position.

Trade receivables and intra group balances are initially recognised at fair value. New impairment requirements use an expected credit loss model to recognise an allowance. For receivables a simplified approach to measure expected credit losses during a lifetime expected loss allowance is available and has been adopted by the Group. During this process the probability of non-payment of the receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being reported within the consolidated statement of comprehensive income. On confirmation that the trade and intra group receivable will not be collectable, the gross carrying value of the asset is written off against the provision.

Financial assets at fair value through other comprehensive income

These assets are initially measured at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and interest income, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, any related balance within the FVOCI reserve is reclassified to retained earnings.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

4. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in the statement of comprehensive income over the estimated useful lives of each component.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives of significant items of property, plant and equipment are as follows:

- | | |
|-----------------------|----------|
| • plant and equipment | 10 years |
| • office equipment | 2 years |
| • computer equipment | 2 years |
| • motor vehicles | 5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

4. Significant accounting policies (continued)

(e) Intangible assets

(i) Prospecting and exploration rights

Rights acquired with subsidiaries are recognised at fair value at the date of acquisition. Other rights acquired and evaluation expenditure are recognised at cost.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Intangible assets are amortised in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

- Prospecting and exploration rights - Life of mine based on units of production

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Amortisation is included within administrative expenses in the statement of comprehensive income.

(f) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and had an impact on the estimated future cash flows from that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021

4. Significant accounting policies (continued)

(f) Impairment (continued)

(i) Non-derivative financial assets (continued)

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Financial assets at fair value through other comprehensive income

Impairment losses on financial assets at FVOCI are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as FVOCI are not reversed through profit or loss.

(ii) **Non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Indefinite-lived intangible assets are tested annually for impairment or when there is an indication of impairment. An impairment loss is recognised if the carrying amount of an asset or Cash Generating Unit ('CGU') exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

4. Significant accounting policies (continued)

(f) Impairment (continued)

(ii) Non-financial assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

Share-based payments

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

(i) Revenue

Revenue from the sale of processed products is recognised when ownership of the product passes to the purchaser in accordance with the relevant sales contract. Ownership passes either upon delivery or once the product is collected where customers arrange delivery.

(j) Finance income and finance costs

Finance income comprises interest income on bank funds. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Taxation

Tax expense comprises current and deferred tax. Current and 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.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

4. Significant accounting policies (continued)

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

(I) Leases

The Group leases certain property, plant and equipment. Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases under IFRS 16. Finance leases are capitalised on the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Other leases are either small in value or cover a period of less than 12 months.

The lease liability is initially measured at the present value of the lease payments that are not paid. Lease payments generally include fixed payments less any lease incentives receivable. The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

The right-of-use asset is recognised at the present value of the liability at the commencement date of the lease less any incentives received from the lessor. Added to the right-of-use asset are initial direct costs, payments made before the commencement date, and estimated restoration costs. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in lease liabilities, split between current and non-current depending on when the liabilities are due. The interest element of the finance cost is charged to the Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets obtained under finance leases are depreciated over their useful lives. The lease liabilities are shown in Note 6

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

4. Significant accounting policies (continued)

(m) Inventories

Inventories for processed material and ore stockpiles are valued at the lower of cost and net realisable value. Costs allocated to processed material are based on average costs and include all costs of purchase, conversion and other costs in bringing these inventories to their existing location and condition. Costs allocated to ore stockpiles are based on average costs, which include an appropriate share of direct mining costs, direct labour and material costs, mine site overhead, depreciation and amortisation. If carrying value exceeds net realisable amount, a write down is recognised. The write down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

(n) Segment reporting

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(o) Equity reserves

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium.

The share option/warrant reserve is used to recognise the fair value of equity-settled share based payment transactions.

The exchange reserve is used to record exchange differences arising from the translation of foreign subsidiaries into the presentation currency.

The financial assets at FVOCI reserve is used to record unrealised accumulated changes in fair value on financial assets.

5. New standards and interpretations

There are no amendments to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) that have been implemented by the Group in the period ended 31 December 2021 and have changed the Group's accounting policies.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

6. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

4. Significant accounting policies (continued)

(ii) Intangible assets

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when such assets are acquired in a business combination.

(iv) Share-based payments

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(v) Investments – other

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. A discount is applied to the value of any Performance shares to reflect the possibility that the milestones for conversion into ordinary shares may not be met.

7. Operating segments

The Group considers that it operated during the period in two distinct business areas, being that of manganese production and exploration in West Africa and phosphate mining in Utah, USA. These business areas form the basis of the Group's operating segments. For each segment, the Group's Managing Director (the chief operating decision maker) reviews internal management reports on at least a quarterly basis.

Other operations relate to the Group's administrative functions conducted at its head office and by its intermediate holding company together with consolidation adjustments.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment result before tax, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the performance of certain segments relative to other entities that operate within the exploration industry.

KERAS RESOURCES PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

7. Operating segments (continued)

Information about reportable segments

15 months ended 31 December 2021

	Manganese £'000	Phosphate £'000	Other operations £'000	Total £'000
External revenue	-	451	-	451
Cost of sales	-	495	-	495
Interest expense	-	-	-	-
Depreciation, amortisation and impairment	43	143	1	187
Share of associate loss to date of becoming subsidiary	-	116	-	116
(Loss)/profit before Tax	(60)	(569)	(1,385)	(2,014)
Assets	1,535	4,229	144	5,908
Exploration and capital expenditure	1,332	3,274	-	4,606
Liabilities	360	2,113	155	2,628

Year ended 30 September 2020

	Manganese £'000	Phosphate £'000	Other operations £'000	Total £'000
External revenue	-	-	-	-
Interest expense	-	-	-	-
Depreciation, amortisation and impairment	76	-	-	76
Share of associate loss	-	(4)	-	(4)
(Loss)/profit before tax	(405)	(4)	(833)	(1,242)
Assets	1,011	1,622	842	3,475
Exploration and capital expenditure	1	-	-	1
Liabilities	285	-	182	467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021

7. Operating segments (continued)

Information about geographical segments

15 months ended 31 December 2021

	West Africa £'000	US £'000	Other £'000	Total £'000
External revenue	-	451	-	451
Cost of sales	-	496	-	496
Interest expense	-	-	-	-
Depreciation, amortisation and impairment	43	143	1	187
Share of associate loss to date of becoming subsidiary	-	116	-	116
(Loss)/profit before tax	(44)	(569)	(1,385)	(2,014)
Assets	1,535	4,229	144	5,908
Exploration and capital expenditure	1,332	3,274	-	4,606
Liabilities	360	2,113	155	2,628

Year ended 30 September 2020

	West Africa £'000	US £'000	Other £'000	Total £'000
External revenue	-	-	-	-
Interest expense	-	-	-	-
Depreciation, amortisation and impairment	76	-	-	76
Share of associate loss	-	(4)	-	(4)
(Loss)/profit before tax	(405)	(4)	(833)	(1,242)
Assets	1,011	1,622	842	3,475
Exploration and capital expenditure	1	-	-	1
Liabilities	285	-	182	467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**8. Expenses**

Expenses include:	15 months ended 31 December 2021 £'000	Year ended 30 September 2020 £'000
Depreciation and amortisation expense	44	76
Auditor's remuneration		
- Audit fee	33	23
Foreign exchange differences	<u>12</u>	<u>4</u>

Auditor's remuneration for the period in respect of the Company amounted to £11,000 (year ended 30 September 2020: £10,000).

9. Personnel expenses

	15 months ended 31 December 2021 £'000	Year ended 30 September 2020 £'000
Wages and salaries	672	446
Fees	100	158
Equity-settled share-based payments (see note 23)	<u>37</u>	<u>183</u>
	<u>809</u>	<u>787</u>

Fees in respect of the services of D Reeves are payable to a third party, Wilgus Investments (Pty) Limited.

Fees in respect of the services of R Lamming are payable to a third party, Parallel Resources Limited for part of the previous period.

The average number of employees (including directors) during the period was:

	15 months ended 31 December 2021	Year ended 30 September 2020
Directors	4	3
Key management personnel	-	1
Other	<u>3</u>	<u>3</u>
	<u>7</u>	<u>7</u>

10. Directors' emoluments**15 months ended 31 December 2021**

	Executive directors £'000	Non- executive directors £'000	Total £'000
Wages and salaries (incl. fees)	<u>234</u>	<u>82</u>	<u>316</u>
	<u>234</u>	<u>82</u>	<u>316</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021

Year ended 30 September 2020

	Executive directors	Non- executive directors	Total
	£'000	£'000	£'000
Wages and salaries (incl. fees)	152	66	218
Compensation payment resulting from SARS cancellation	120	-	120
	<u>272</u>	<u>66</u>	<u>338</u>

These amounts are disclosed by director in the Directors' report on page 15.

Emoluments disclosed above include the following amounts payable to the highest paid director:

	15 months ended 31 December 2021 £'000	Year ended 30 September 2020 £'000
Emoluments for qualifying services	<u>219</u>	<u>272</u>

Key management personnel

Included in note 10 are emoluments paid to key management personnel in the period which amounted to £70,000 (year ended 30 September 2020: £71,000).

11. Finance costs**Recognised in loss for period**

	15 months ended 31 December 2021 £'000	Year ended 30 September 2020 £'000
Other	<u>43</u>	<u>3</u>
	<u>43</u>	<u>3</u>

12. Taxation**Current tax**

	15 months ended 31 December 2021 £'000	Year ended 30 September 2020 £'000
Tax recognised in profit or loss		
Current tax		
Current period	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of temporary differences	<u>-</u>	<u>-</u>
Total tax	<u>-</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

Reconciliation of effective tax rate

	15 months ended 31 December 2021 £'000	Year ended 30 September 2020 £'000
Loss before tax (continuing operations)	<u>(2,014)</u>	<u>(1,242)</u>
Tax using the Company's domestic tax rate of 19.0% (2020: 19.0%)	(383)	(236)
Effects of:		
Expenses not deductible for tax purposes	2	3
Overseas (profits)/losses	116	93
Equity-settled share-based payments	7	12
Tax losses carried forward not recognised as a deferred tax asset	<u>258</u>	<u>128</u>
	<u>-</u>	<u>-</u>

None of the components of other comprehensive income have a tax impact.

Factors that may affect future tax charges

At the period end, the Group had unused tax losses available for offset against suitable future profits of approximately £7,128,000 (year ended 30 September 2020: £5,771,000). A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021

13. Property, plant and equipment

Group

	Plant and equipment	Office and computer equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 October 2019	360	31	19	410
Additions	-	-	-	-
Disposals	(39)	(6)	(19)	(64)
Effect of movements in exchange rates	8	-	-	8
Balance at 30 September 2020	329	25	-	354
Balance at 1 October 2020	329	25	-	354
Acquisition of Falcon Isle	172	-	-	172
Additions	185	3	-	188
Disposals	-	-	-	-
Effect of movements in exchange rates	(25)	-	-	(25)
Balance at 31 December 2021	661	28	-	689
Depreciation and impairment provisions				
Balance at 1 October 2019	29	30	19	78
Depreciation for the year	76	-	-	76
Depreciation on disposals	(39)	(6)	(19)	(64)
Effect of movements in exchange rates	1	-	-	1
Balance at 30 September 2020	67	24	-	91
Balance at 1 October 2020	67	24	-	91
Depreciation for the period	34	2	-	36
Depreciation on disposals	-	-	-	-
Effect of movements in exchange rates	8	-	-	8
Balance at 31 December 2021	109	26	-	135
Carrying amounts				
At 30 September 2019	331	1	-	332
At 30 September 2020	262	1	-	263
At 31 December 2021	552	2	-	554

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

13. Property, plant and equipment (continued)

Company

	Plant and equipment £'000	Computer equipment £'000	Total £'000
Cost			
Balance at 1 October 2019	-	5	5
Transfers	-	-	-
Balance at 30 September 2020	<u>-</u>	<u>5</u>	<u>5</u>
Balance at 1 October 2020	-	5	5
Additions	-	3	3
Balance at 31 December 2021	<u>-</u>	<u>8</u>	<u>8</u>
Depreciation and impairment provisions			
Balance at 1 October 2019	-	5	5
Depreciation for the year	-	-	-
Balance at 30 September 2020	<u>-</u>	<u>5</u>	<u>5</u>
Balance at 1 October 2020	-	5	5
Depreciation for the period	-	1	1
Balance at 31 December 2021	<u>-</u>	<u>6</u>	<u>6</u>
Carrying amounts			
At 30 September 2019	-	-	-
At 30 September 2020	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2021	<u>-</u>	<u>2</u>	<u>2</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

14. Intangible assets – Group

	Prospecting and exploration rights £'000
Cost	
Balance at 1 October 2019	1,206
Additions	1
Disposals	-
Effect of movement in exchange rates	20
Balance at 30 September 2020	<u>1,227</u>
Balance at 1 October 2020	1,227
Acquisition of Falcon Isle (note 15)	3,046
Additions	538
Disposals	(158)
Effect of movements in exchange rates	(10)
Balance at 31 December 2021	<u>4,643</u>
Amortisation and impairment losses	
Balance at 1 October 2019	155
Impairment	-
Amortisation	-
Disposals	-
Effect of movements in exchange rates	3
Balance at 30 September 2020	<u>158</u>
Balance at 1 October 2020	158
Impairment	-
Amortisation	37
Disposals	(158)
Effect of movements in exchange rates	-
Balance at 31 December 2021	<u>37</u>
Carrying amounts	
Balance at 30 September 2019	<u>1,051</u>
Balance at 30 September 2020	<u>1,069</u>
Balance at 31 December 2021	<u>4,606</u>

The carrying value of the prospecting and exploration rights is supported by the estimated resource and current market values.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. Investments in subsidiaries and associates

Company – subsidiaries

	2021 £'000	2020 £'000
Equity investments		
Balance at beginning of period	-	-
Additions – from associates	1,959	-
Disposals	-	-
Balance at 31 December/30 September	<u>1,959</u>	<u>-</u>

	Activity	Country of incorporation	Ownership interest 2021	2020
Directly				
Southern Iron Limited	Investment	Guernsey	100%	100%
Falcon Isle Resources LLC	Mining	USA	51%	40%
Indirectly				
Société Générale des Mines SA	Exploration	Togo	85%	85%

Registered offices of subsidiary companies are:

Southern Iron Limited, 1st Floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey

Société Générale des Mines, Quartier Adidogome Apedokoe 02, BP 20022, Lome, Togo

Falcon Isle Resources LLC, 8 The Green, Suite B8, Dover, Kent, Delaware 19901, USA

Group and Company – associates

	2021 £'000	2020 £'000
Accounted for using the equity method		
At 1 October	1,622	-
Additions – including acquisition costs	453	1,626
Share of loss for the period	(116)	(4)
Transfer to investment in subsidiary	(1,959)	-
At 31 December/30 September	<u>-</u>	<u>1,622</u>

The interest in Falcon Isle was acquired for nominal consideration under a binding heads of terms dated 28 July 2020. Under this agreement the Company agreed to provide US\$2.5m in loans to Falcon Isle payable in agreed tranches. Falcon Isle is the 100% owner of the Diamond Creek phosphate mine located in Utah (USA) which is a fully permitted, high grade direct shipping ore organic phosphate operating mine.

At 30 September 2020 the Company had advanced US\$ 1.9m to Falcon Isle, resulting in an equity interest of 40% and bringing the cost of the investment in the associate to £1,626,000.

On 31 December 2020 the Company advanced the balance of \$0.6m and its equity interest has increased to a controlling interest of 51%.

The initial acquisitions were accounted for under the equity method of accounting but upon achieving control on 31 December 2020, the acquisition method of accounting has been applied.

Since 31 December 2021, on 29 March 2022, the Company agreed to acquire the outstanding 49% equity interest in Falcon Isle and loans totalling \$1,816,527 made by the vendor to Falcon Isle, for total consideration of \$3.2 million, payable in four annual tranches commencing on 1 July 2022.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

15. Investments in subsidiaries and associates (continued)

From the date of the acquisition on 31 December 2020 to 31 December 2021, Falcon Isle Resources recognized revenue of £452,000 and incurred a loss of £569,000. If the acquisition had occurred on 1 October 2020 the Group's revenue and loss for the 15-month period ended 31 December 2021 would have been £548,000 and £2,261,000 respectively.

The fair value of assets and liabilities acquired on acquisitions are as follows:

	Fair value £'000
Intangibles	3,046
Fixed assets	172
Inventory	57
Receivables	122
Bank balances and cash	158
Trade and other payables	(17)
Loans	(1,330)
	2,208

The investment in associate was revalued prior to acquisition to fair value based on the price paid to acquire the additional 11% shareholding. Under IFRS 3, on acquisition of the controlling stake, the Group remeasured its original 40% investment in Falcon Isle. This led to a loss on change of ownership of £363,000 being recognised in the Consolidated Statement of Comprehensive Income.

On acquisition the non-controlling interest, valued based upon net assets at acquisition, was valued at £645,000. No goodwill has arisen from the acquisition.

16. Leases

The following lease liabilities arose in respect of the recognition of right of use assets with a net book value of £219,000. The Group holds one lease that it accounts for under IFRS 16.

The right of use assets are as follows:

	£000
Balance at 30 September 2020	-
Additions	314
Depreciation	(99)
Balance at 31 December 2021	215

The lease liability is as follows:

	£000
Balance at 30 September 2020	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Addition	314
Principal reduction	(105)
Finance cost	10
Balance at 31 December 2021	219
Less: Current portion	(107)
Non-current portion	112

A maturity analysis of the undiscounted minimum lease payments due are as follows:

	£000
Lease liabilities – minimum lease payments	
No later than one year	116
Later than one year and no later than five years	116
Later than five years	-
Total	232

17. Loans
Company - current

	2021 £'000	2020 £'000
Balance at beginning of period	1,534	1,379
Funds advanced to subsidiaries	547	159
Repaid/impaired	-	(4)
Balance at 31 December/30 September	2,081	1,534

All loans to subsidiaries are currently unsecured and interest free and repayable on demand. All loans are denominated in GBP.

18. Inventories

	2021 £'000	2020 £'000
Phosphate, including processed material held for sale	273	-
	273	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021

19. Trade and other receivables

Group

	2021 £'000	2020 £'000
Trade receivables	7	-
Other receivables	87	71
Prepayments	-	12
	<u>94</u>	<u>83</u>

Company

	2021 £'000	2020 £'000
Other receivables	20	58
Prepayments	-	12
	<u>20</u>	<u>70</u>

Other receivables are stated at their nominal value less allowances for non-recoverability. The Group and Company's exposure to credit and currency risk is disclosed in note 24 and 25. Trade receivables are net of a provision for bad debts of £nil (2020: £nil)

20. Cash and cash equivalents

Group

	2021 £'000	2020 £'000
Bank balances	166	438
Cash and cash equivalents	<u>166</u>	<u>438</u>

Company

	2021 £'000	2020 £'000
Bank balances	122	428
Cash and cash equivalents	<u>122</u>	<u>428</u>

There is no material difference between the fair value of cash and cash equivalents and their book value.

21. Capital and reserves

Share capital

Number of old ordinary shares £0.001 each

	31 December 2021	30 September 2020
In issue at beginning of year	-	2,491,358,439
Issued for cash	-	7,000,000
Issued in settlement of debt	-	-
Cancelled under capital reduction	-	(2,498,358,439)
In issue at 31 December/30 September – fully paid	<u>-</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	Number of new ordinary shares £0.0001 each	
	31 December 2021	30 September 2020
In issue at beginning of period	4,866,007,851	-
Resulting from capital reduction	-	2,498,358,439
Issued for cash	1,369,565,217	1,646,678,326
Issued in settlement of debt	60,500,000	720,971,086
In issue at 31 December/30 September - fully paid	<u>6,296,073,068</u>	<u>4,866,007,851</u>

	Number of deferred shares of £0.004 each	
	31 December 2021	30 September 2020
In issue at beginning of year	-	1,193,794,390
Cancelled under capital reduction	-	(1,193,794,390)
In issue at 31 December/30 September – fully paid	<u>-</u>	<u>-</u>

	Ordinary and deferred share capital	
	31 December 2021 £'000	30 September 2020 £'000
Balance at beginning of year	487	7,266
Share issues	143	244
Deferred shares cancelled	-	(4,775)
Capital reduction	-	(2,248)
Balance at 31 December/30 September	<u>630</u>	<u>487</u>

All ordinary shares rank equally with regard to the Company's residual assets. 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 general meetings of the Company.

Issues of ordinary shares

On 18 December 2020, 400,000,000 ordinary shares were issued for cash at £0.0011 per share.

On 18 December 2020 B Moritz and D Reeves, conditionally agreed to subscribe for 36,363,636 and 63,636,364 shares each at £0.0011 per share, these were issued on 18 January 2021 following a General Meeting to grant increased authority to issue shares.

On 18 January 2021, 869,565,217 ordinary shares were agreed to be issued at £0.00115 per share, of these, B Moritz conditionally agreed to subscribe for 17,391,304 shares and R Lamming conditionally agreed to subscribe for 26,086,957 shares in lieu of part of his salary. Of these shares, 600,000,000 were issued on 18 January 2021 and the balance of 269,565,217 were issued on 15 February 2021 following a General Meeting to grant increased authority to issue shares.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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On 18 January 2021, the company conditionally agreed to issue 48,000,000 ordinary shares at £0.00115 per share in settlement of amounts owing to advisors. These were issued on 15 February 2021 following a General Meeting to grant increased authority to issue shares.

On 8 November 2021 G Stacey agreed to convert £7,500 of his outstanding fees into 12,500,000 new ordinary shares of 0.01pence each at a price of 0.06p per share.

Warrants

	31 December 2021		30 September 2020	
	Average exercise price	Number	Average exercise price	Number
In issue at beginning of period	0.24p	984,357,334	0.36p	7,000,000
Lapsed	0.24p	(984,357,334)	-	-
Issued in period	0.22p	250,000,000	0.24p	984,357,334
Lapsed	0.22p	(250,000,000)	-	-
Issued in period	0.18p	434,785,608	-	-
Exercised in period	-	-	0.36p	(7,000,000)
In issue at 31 December/30 September	0.18p	<u>434,785,608</u>	0.24p	<u>984,357,334</u>

On 18 December 2020 250,000,000 warrants were agreed to be issued to subscribers for the New Ordinary Shares agreed to be issued for cash on 18 December 2020 on the basis of 1 warrant for every 2 shares subscribed. The warrants are exercisable at price of 0.22p at any time up to 31 December 2021.

On 18 January 2021 434,785,608 warrants were agreed to be issued to subscribers for the New Ordinary Shares agreed to be issued for cash on 18 January 2021 on the basis of 1 warrant for every 2 shares subscribed. The warrants are exercisable at price of 0.18p at any time up to 28 February 2022.

The weighted average remaining contractual life of the warrants outstanding is 59 days.

Other reserves
Share option/warrant reserve

The share option/warrant reserve comprises the cumulative entries made to the consolidated statement of comprehensive income in respect of equity-settled share-based payments as adjusted for share options cancelled.

Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value reserve

The fair value reserve comprised the cumulative net change in the fair value of available-for-sale financial assets until the assets were derecognised or impaired.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15 MONTHS ENDED 31 DECEMBER 2021**

21. Earnings per share

Basic and diluted earnings/(loss) per share

The calculation of basic earnings/(loss) per share at 31 December 2021 is based on the following (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares in issue.

Loss attributable to ordinary shareholders (£)

	15 months ended 31 December 2021	Year ended 30 September 2020
Continuing operations	<u>(1,948,000)</u>	<u>(1,181,000)</u>
Loss attributable to ordinary shareholders	<u>(1,948,000)</u>	<u>(1,181,000)</u>

Weighted average number of ordinary shares

	15 months ended 31 December 2021	Year ended 30 September 2020
Issued ordinary shares at beginning of year	4,866,007,851	2,491,358,439
Effect of shares issued	<u>1,085,483,160</u>	<u>444,668,141</u>
Weighted average number of ordinary shares	<u>5,951,491,011</u>	<u>2,936,026,580</u>

The warrants in issue are considered to be antidilutive and as a result, basic and diluted loss per share are the same.

22. Share-based payments

The Company established an Enterprise Management Incentive Scheme to incentivise Directors and senior executives. On 17 January 2020, 120,000,000 options were granted at £0.001639 with 10,000,000 vesting immediately, 30,000,000 vesting on 9 March 2020, 30,000,000 vesting on 17 January 2021, 30,000,000 vesting on 17 January 2022 and 20,000,000 vesting on 17 January 2023. The options lapse if not exercised within 5 years. Of the total, 90,000,000 options were granted to R Lamming, a Director.

The Black Scholes pricing model was used to calculate the share based payment charge incorporating an annual volatility rate of 55%, expected life of between 2 and 5 years and risk free investment rate of between 0.23% and 0.39%. The charge for the year ended 30 September 2020 for these rights which was included in administrative and exploration expenses amounted to £63,000.

On 7 April 2021, 10,000,000 options were granted at £0.001183 with 3,333,333 vesting on 1 April 2022, 3,333,333 vesting on 1 April 2023 and 3,333,334 vesting on 1 April 2024. The options lapse if not exercised within 5 years.

The Black Scholes pricing model was used to calculate the share based payment charge incorporating an annual volatility rate of 57%, expected life of between 4 and 6 years and risk free investment rate of between 0.6% and 0.93%. The charge for the period ended 31 December 2021 for these rights which was included in administrative and exploration expenses amounted to £5,000.

On 27 May 2021, 15,000,000 options were granted at £0.001121 with 5,000,000 vesting on 17 May 2022, 5,000,000 vesting on 17 May 2023 and 5,000,000 vesting on 17 May 2024. The options lapse if not exercised within 3 years of the vesting dates.

The Black Scholes pricing model was used to calculate the share based payment charge incorporating an annual volatility rate of 57%, expected life of between 4 and 6 years and risk free

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investment rate of between 0.6% and 0.93%. The charge for the period ended 31 December 2021 for these rights which was included in administrative and exploration expenses amounted to £7,000.

23. Trade and other payables
Group - Current

	2021	2020
	£'000	£'000
Trade payables	962	104
Accrued expenses	93	228
Amounts due to Faclon Isle Resources' minority interest	593	-
Other payables	11	135
	<u>1,658</u>	<u>467</u>

Group – Non-Current

	2021	2020
	£'000	£'000
Amounts due to Faclon Isle Resources' minority interest	749	-
	<u>749</u>	<u>-</u>

Company - Current

	2021	2020
	£'000	£'000
Trade payables	46	21
Accrued expenses	91	97
Other payables	13	64
	<u>150</u>	<u>182</u>

There is no material difference between the fair value of trade and other payables and accruals and their book value. The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24 and 25.

24. Financial instruments
Financial risk management

The Group's operations expose it to a variety of financial risks that include liquidity risk. The Group has in place a risk management programme that seeks to limit the adverse effect of such risks on its financial performance.

Credit risk

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

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Group

	Financial assets at amortised cost	
	Carrying amount	
	2021	2020
	£'000	£'000
Trade and other receivables	94	67
Cash and cash equivalents	166	438
	<u>260</u>	<u>505</u>

Company

	Financial assets at amortised cost	
	Carrying amount	
	2021	2020
	£'000	£'000
Loans	2,081	1,534
Trade and other receivables	20	56
Cash and cash equivalents	122	428
	<u>2,223</u>	<u>2,018</u>

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

25. Financial instruments (continued)

The Group reviews its facilities regularly to ensure it has adequate funds for operations and expansion plans.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

**Group
2021**

	Carrying amount	Contractual cash flows	2 months or less	2-12 months
	£'000	£'000	£'000	£'000
Non-derivative financial liabilities				
Trade and other payables	1,658	(1,658)	(168)	(1,490)
Lease liabilities	107	(107)	(19)	(88)
	<u>1,765</u>	<u>(1,765)</u>	<u>(187)</u>	<u>(1,578)</u>

**Group
2020**

	Carrying amount	Contractual cash flows	2 months or less	2-12 months
	£'000	£'000	£'000	£'000
Non-derivative financial liabilities				
Trade and other payables	467	(467)	(78)	(389)
	<u>467</u>	<u>(467)</u>	<u>(78)</u>	<u>(389)</u>

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**Company
2021**

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
Non-derivative financial liabilities				
Trade and other payables	150	(150)	(25)	(125)
	<u>150</u>	<u>(150)</u>	<u>(25)</u>	<u>(125)</u>

**Company
2020**

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
Non-derivative financial liabilities				
Trade and other payables	182	(182)	(30)	(152)
	<u>182</u>	<u>(182)</u>	<u>(30)</u>	<u>(152)</u>

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than GBP. The currencies giving rise to this risk are primarily the CFA Franc and the US dollar.

Fair values

The fair values of financial instruments such as trade and other receivables/payables are substantially equivalent to carrying amounts reflected in the balance sheet.

Capital management

The Group's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued operations.

The Group considers its capital to be total shareholders' equity which at 31 December 2021 for the Group totalled £3,053,000 (30 September 2020: £3,148,000) and for the Company totalled £4,034,000 (30 September 2020: £3,472,000).

26. Related parties

The Group's related parties include its key management personnel and others as described below.

No guarantees have been given or received and all outstanding balances are usually settled in cash.

Of the remuneration payable to D Reeves, £25,000 remains unpaid as at 31 December 2021 (30 September 2020 - £31,000).

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Other related party transactions

Transactions with Group companies

The Company had the following related party balances from financing activities:

	2021	2020
	£'000	£'000
Southern Iron Limited		
- Loans and receivables (interest free)	1,622	1,534
Falcon Isle Resources LLC		
- Loans and receivables (interest free)	459	-

Southern Iron Limited had the following related party balances from financing activities:

Société Générale des Mines SA		
- Loans and receivables (interest free)	1,777	1,694

27. Subsequent events

Issues of New Ordinary Shares

On 26 April 2022 the Company announced the raising of a total of £1,950,000 (before expenses) by the issue of up to 1,625,000,000 new Ordinary Shares at a price of 0.12p per share. 1,000,000,000 new Ordinary Shares were placed for cash consideration to raise £1,200,000 and the balance of 625,000,000 new Ordinary Shares were issued through a Broker Option following approval at a General Meeting of the company held on 16 May 2022.

Each new Ordinary Share subscribed received a warrant to subscribe for 1 new Ordinary Share at any time up to 31 May 2024, at an exercise price of 0.18p per share.

Falcon Isle

On 29 March 2022, the Company agreed to acquire the outstanding 49% equity interest in Falcon Isle and loans totalling \$1,816,527 made by the vendor to Falcon Isle, for total consideration of \$3.2 million, payable in four annual tranches of \$800,000 commencing on 1 July 2022.